

Unit Planning Guide

UNIT PACING CHART

Unit 7		Chapter 23	Chapter 24	Chapter 25
Day 1	Unit Opener, Reading Social Studies	Chapter Opener, Section 1, Issues to Debate	Chapter Opener, Section 1	Chapter Opener, Section 1
Day 2		Section 2, Financial Literacy	Section 2	Section 2, Financial Literacy
Day 3		Section 3, Landmark Supreme Court Case Studies	Section 3, Financial Literacy	Section 3, Chapter Review, Visual Summary
Day 4		Chapter Review, Visual Summary	Chapter Review, Visual Summary	Chapter Assessment
Day 5		Chapter Assessment	Chapter Assessment	TIME Reports
Day 6				Analyzing Primary Sources

Teacher to Teacher



Josh Barkeloo,
Westland High
School,
Galloway, Ohio

The Fed The Federal Reserve System can be challenging for students to understand. In my classroom we play a game that helps my students understand how The Federal Reserve operates. Using play money, bank slips, and teacher generated scenario cards, my students work in groups, acting as the banking industry. The goal is to be the best team at responding to The Fed, while not triggering a collapse. Groups receive scenario cards from The Fed

(the teacher) and must respond to them on a bank slip that will be deposited at the Federal Reserve with their reserve requirements. Example scenarios include: 1)Your Bank did not save enough money to meet your Reserve Requirements. How will you fix this problem before your deadline? 2)The Fed Increases reserve requirements 10%. What impact does this have on your bank's lending power?

Author Note

Dear Social Studies Teacher:

Many economists admire the free enterprise system, claiming there is no better way to obtain, organize, and use scarce resources. The free enterprise system, along with private ownership of property, is often hailed as the most prolific wealth-generating system the world has ever seen.

At the same time, the free enterprise system does not provide for all of the things we want and need. Free enterprise may be unmatched when it comes to providing personal goods, such as houses and cars; but it does not provide enough of the many public goods, such as education and national defense.

This is where our government comes into play.

Government in the United States is fascinating because it can do many things well. For example, it provides the laws, highways, and public education that set the United States apart from so many other nations. The government also can do many things poorly—as when political leaders succumb to corruption and commit us to courses of action that are not in our best interests.

Because of this dichotomy, there is heated debate between people wanting less government and those wanting more government. To make matters worse, even economists are not sure exactly how much government is necessary, let alone optimal. So, for an author like myself, it comes to this—how to write about something that can be both intensely satisfying as well as deeply infuriating?

The short answer is to be as descriptive as possible, weigh the costs and benefits of different government activities separately—and then let people make up their own minds. As teachers, we have the obligation to challenge our students to evaluate every situation on its own merits. We must give students the tools to help them analyze a problem as well as the information to help them make a decision.



Gary Clayton
Author

Unit Objectives

After studying this unit, students will be able to:

- Identify how government promotes and monitors economic activity in the United States.
- Define voluntary exchange and understand how the federal government and the banking industry function together to help people achieve their financial goals.
- Describe the system by which federal, state, and local governments and institutions manage tax income of citizens and businesses to promote economic goals.

Did You Know?

The value of money today is agreed upon by the people using it. For much of the country's history, the value of money was set by the gold standard. The United States and other nations determined the value of an ounce of gold. A dollar would then be equal to a certain weight of gold, and gold was available to back every dollar. However, it was not practical to carry around gold for buying and selling. Currency took the place of gold—it represented the gold sitting in banks.

The discovery of gold in California and Alaska in the late 1800s and World War I shook the stability of the gold standard. Eventually, in 1971, President Richard Nixon announced that the United States would abandon the gold standard as the method of setting the value of a dollar.



The Free Enterprise System



Encounter Restaurant
suspended above Los
Angeles International
Airport

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Activity: Launching the Unit

The Free Enterprise System **Ask:** Do you have a personal budget? How do you decide how much money to spend, where to spend it, what to buy, how much to save, and where to save it? (Answers will include students' various spending plans or lack of plans.) Explain that students will learn about the decisions that shape a budget. Individuals, families, businesses, states, and the fed-

eral government all must decide, based on money coming in, how to spend and what to set aside for later. To do this, people must understand how money works and how banks and other financial institutions invest money. At the end of the unit, have students revise their personal budgets, using what they have learned to shape their spending and saving decisions. **OL**

★ **Chapter 23** Government and the Economy

★ **Chapter 24** Money and Banking

★ **Chapter 25** Government Finances

Be An Active Citizen



The free enterprise system takes a look at the economy as a whole. Talk to two or three business owners in your community. Ask about the general state of their businesses, how they feel about governmental economic policies, and their outlook. Write a summary of your findings.

Be an Active Citizen



Do your students know the business leaders in their community? Before beginning this activity, contact your city's chamber of commerce to get a list of community business leaders who may be willing to take time to participate in this activity. Before students interview business leaders, have them prepare a list of interview questions based on the instructions. Students may conduct their interviews by phone, by e-mail, or in person. Remind students to write formal thank-you letters to each business leader who participates.

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More About the Photo

Visual Literacy Los Angeles International Airport, called LAX, began as a small private landing strip in the early 1920s. The city purchased the land in 1928 and began to build the airport that today is one of the world's busiest for passengers and cargo. The futuristic terminal complex shown in this photo was completed in 1961 and has

become a well-known California landmark. Students can view the space-age design of the Encounter Restaurant at www.lawa.org/lax/galleryAirport.cfm. Airports such as LAX are hubs of national and international travel and trade and strong contributors to the economy.

Why Making Inferences Is Important

Making inferences is an important skill for reading social studies and other subjects. Writers do not always connect every idea or draw each conclusion for their readers. Readers must make connections themselves, by using what they are reading and what they have read and experienced in the past. Help students see that they make inferences daily as they “read between the lines” to decide why a friend seems annoyed or when the best time to ask a parent for a favor might be.

1 Learn It!

Draw this “equation” on the board:

What the writer says
+ (plus)

What I already know or have experienced
= (equals)
An inference

Have students use the equation to make an inference based on the paragraph on inflation. Explain that readers must read closely, think about the information they read, and compare that information to their own knowledge and experiences to make helpful inferences. **OL**

Reading Social Studies

Making Inferences

1 Learn It!

Writers do not always state directly what they want to say. Often, they expect readers to make inferences or draw conclusions. Making an inference is “reading between the lines” by using clues and details the author provides to gain additional meaning from the text.

- Read the paragraph below.
- Pay attention to the facts provided by the writer.
- Read the inference that was drawn by the reader.

A chart like the one below can help you identify information you can use to make inferences.

Suppose that an ice-cream cone that costs you a dollar doubles in price. This price increase causes the purchasing power of your dollar to fall because you have to use twice as many dollars to buy the same item. This is why inflation is particularly hard on people who have fixed incomes. . . . Inflation also reduces the value of money in a savings account because it will buy less after inflation than before.

—from page 642

Information from Text

Inflation is an increase in prices.

Inflation is hard on people with fixed incomes.

Inflation reduces the value of money in a savings account.

It is important for a country to keep inflation under control because it hurts its citizens' purchasing power.



Reading Strategy

Analyzing Information

Making Inferences Students can use an outline to identify and record the claims or assertions a writer makes. They can then study the outline to see how the writer's claims are related to each other—by cause

and effect, for example, or by comparison or contrast. If students cannot identify this relationship, then they know that they must make an inference and supply the missing connection between ideas. **OL**

2 Practice It!

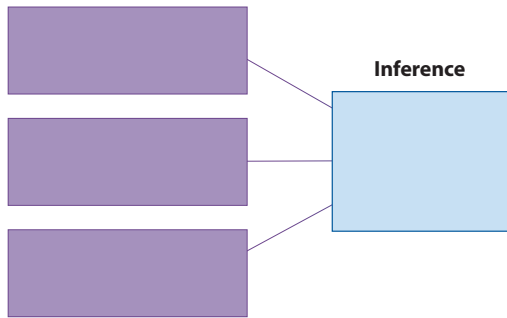
Read the following paragraph from this unit.

- Draw a chart like the one shown below.
- Write three important facts from the paragraph in the boxes on the left-hand side.
- Make an inference about the sensitivity of the stock market based upon the information from the text and write it in the box on the right.

The price of a company's stock, like most other things, is determined by supply and demand. Factors such as changes in sales or profits, rumors of a possible takeover, or news of a technological breakthrough can change the demand for a company's stock and, therefore, its price.

—from page 643

Information from Text



3 Apply It!

Choose one section from each chapter in this unit and create a chart like the one above. Read your facts to a partner and ask if your partner made a similar inference based on the facts you provided.



Read to Write Activity

Read the section titled *Safeguarding Our Financial System* in Chapter 24. Jot down any relevant facts. Then, write a statement in which you make an inference about how safe you feel using the banking system.

2 Practice It!

Have students read the paragraph “Why Stock Prices Change” in Chapter 23, Section 2. Explain that a graphic organizer listing *Facts* from which an *Inference* can be made can help readers understand what a writer means. Have students work with partners to make inferences about what companies should do to control stock prices. **OL**

3 Apply It!

Supply students with a page of letters to the editor of a major newspaper in your city and with the article that prompted the letters. Explain that because letters to the editor must be short, the ideas in each are condensed, forcing readers to make inferences. Have students read the article and the letters responding to it and use the information in the article to list inferences about the ideas expressed in the letters. **AL**

Writing Reviews Writing a review of a newspaper or magazine article, a section of a book, or a news show gives students the opportunity to use the skill of making inferences to evaluate the usefulness of the source of information. Allow students to choose the source of information they review so that it is in line with their interests: a sports page, for instance, or a description

of a new video game from a gaming magazine. As they write their reviews, have them ask these questions to make inferences about the usefulness of the source: What information does the writer communicate? What information does the writer leave out? Can most readers supply the missing information and understand the source? **OL**

Chapter Planning Guide



Key to Ability Levels

BL Below level

OL On level

AL Above level

ELL English
Language Learners

Key to Teaching Resources



Print Material



CD-ROM



DVD



Transparency

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					FOCUS					
BL	OL	AL	ELL		Daily Focus Skills Transparencies		23-1	23-2	23-3	
					TEACH					
BL	OL		ELL		Reading Essentials and Note-Taking Guide*		p. 216	p. 219	p. 222	
	OL	AL			Citizenship/Decision-Making Activity, URB		p. 3			
BL	OL		ELL		Reading Skills Activity, URB		p. 7			
	OL	AL			Primary Source Reading, URB		p. 15			
BL	OL	AL	ELL		Content Vocabulary Activity, URB*	p. 21	p. 21	p. 21	p. 21	
BL	OL	AL	ELL		Academic Vocabulary Activity, URB	p. 23	p. 23	p. 23	p. 23	
	OL				Biography Activity, URB		p. 25	p. 25		
BL	OL	AL	ELL		Writing Skills Activity, URB				p. 27	
	OL	AL			Critical Thinking Skills Activity, URB		p. 31			
BL	OL	AL	ELL		Chart, Graph, and Map Skills Activity, URB			p. 33		
BL	OL	AL	ELL		Differentiated Instruction, URB				p. 35	
BL	OL	AL	ELL		School-to-Home Connection Activity, URB*	p. 37	p. 37	p. 37	p. 37	
BL	OL		ELL		Guided Reading Activities, URB*		p. 41	p. 42	p. 43	
	OL	AL			Supreme Court Cases				p. 3	
BL	OL	AL	ELL		Writer's Guidebook	✓	✓	✓	✓	✓
	OL	AL			Primary Source Document Library CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Vocabulary PuzzleMaker CD-ROM	✓	✓	✓	✓	✓
BL	OL	AL	ELL		Daily Lecture & Discussion Notes (in Pres. Plus)		✓	✓	✓	✓
BL	OL	AL	ELL		StudentWorks™ Plus DVD		✓	✓	✓	✓
BL	OL	AL	ELL		Section Video Program		✓	✓	✓	
BL	OL	AL	ELL		TIME Interpreting Political Cartoons Transp.			Ch. 23		
BL	OL	AL	ELL		Writing Process Transparencies	✓	✓	✓	✓	✓

Note: Please refer to the *Unit Resource Book: The Free Enterprise System* for this chapter's URB materials.

* Also available in Spanish



- Interactive Lesson Planner
- Interactive Teacher Edition
- Fully editable blackline masters
- Section Spotlight Videos Launch
- Differentiated Lesson Plans
- Printable reports of daily assignments
- Standards Tracking System

Levels				Resources		Chapter Opener	Section 1	Section 2	Section 3	Chapter Assess
BL	OL	AL	ELL							
					TEACH <i>(continued)</i>					
Teacher Resources					Building Academic Vocabulary	✓	✓	✓	✓	✓
					Strategies for Success	✓	✓	✓	✓	✓
					Teacher's Guide to Differentiated Instruction	✓	✓	✓	✓	✓
					Graph Tool CD-ROM	✓	✓	✓	✓	✓
					Presentation Plus! DVD	✓	✓	✓	✓	✓
					ASSESS					
BL	OL	AL	ELL		Quizzes and Tests*		p. 275	p. 276	p. 277	p. 278
BL	OL	AL	ELL		Authentic Assessment with Rubrics			p. 27		
BL	OL	AL	ELL		Standardized Test Practice		p. 45	p. 45	p. 45	p. 45
BL	OL	AL	ELL		ExamView® Assessment Suite CD-ROM		23-1	23-2	23-3	Ch. 23
BL	OL	AL	ELL		Interactive Tutor Self-Assessment CD-ROM	✓	✓	✓	✓	✓
					CLOSE					
BL			ELL		Reteaching Activity, URB*		p. 39	p. 39	p. 39	
BL	OL		ELL		Reading and Study Skills Foldables™ Activity	p. 94	p. 95	p. 95		
BL	OL	AL	ELL		Graphic Organizer Transparencies & Strategies	✓	✓	✓	✓	✓

Electronic Quiz

Technology Product

Glencoe's Interactive Tutor Self Assessment software allows students to assess their mastery of chapter content, taking as much time as they need to review each section of a chapter. The Interactive Tutor Self Assessment

- contains quizzes for individual sections of chapters, with section overviews covering important concepts and keywords.
- allows students to read overviews based on sections, chapters, or units before starting quizzes.
- lets students check their answers, receive feedback and hints, and identify content areas they need to review.
- permits students to move back and forth among the questions during a quiz.
- generate performance reports and graphs to monitor student progress section by section.

Objective

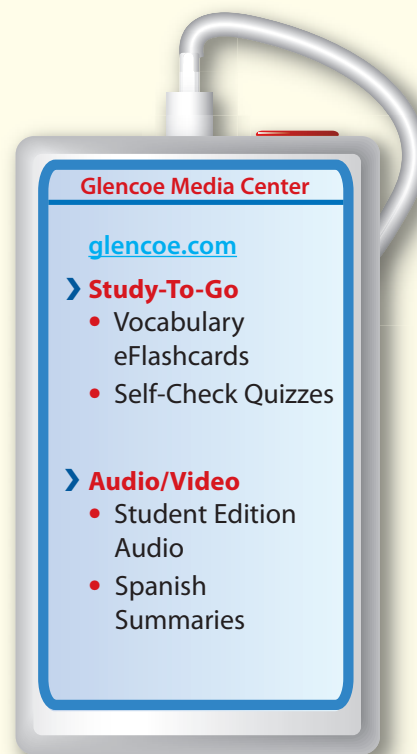
Using the Interactive Tutor Self Assessment allows students to

- assess their mastery of chapter content.
- identify chapter content they need to review.

Steps

- Install Interactive Tutor Self Assessment.
- Register yourself and create classes.
- Register new students/users in the database, organized by classes. Assign individual passwords to students.
- Save student records to a location easily accessible to students.
- Assign section quizzes to students.
- Generate performance reports and graphs for individual students and classes.

Civics ONLINE			
	Student	Teacher	Parent
Beyond the Textbook	•	•	•
Chapter Overviews	•	•	•
Concepts in Motion	•		•
ePuzzles and Games	•		•
Glencoe Teaching Today		•	
Literature Connections		•	
Multi-Language Glossaries	•		•
Online Student Edition	•	•	•
Section Videos	•	•	•
Self-Check Quizzes	•		•
Student Web Activities	•		•
Study Central™	•		•
TIME Current Events	•		•
Vocabulary eFlashcards	•		•
Web Activity Lesson Plans		•	



Reading List Generator CD-ROM

GLENCOE BOOKLINK 3

Use this database to search more than 30,000 titles to create a customized reading list for your students.

- Reading lists can be organized by students' reading level, author, genre, theme, or area of interest.
- The database provides Degrees of Reading Power™ (DRP) and Lexile™ readability scores for all selections.
- A brief summary of each selection is included.

Leveled reading suggestions for this chapter:

For students at a Grade 7 reading level:

- *The Problem Solvers: People Who Turned Problems into Products*, by Nathan Aaseng

For students at a Grade 8 reading level:

- *They All Laughed . . . From Light Bulbs to Lasers*, by Ira Flatow

For students at a Grade 9 reading level:

- *Business Builders in Cosmetics*, by Nathan Aaseng

For students at a Grade 10 reading level:

- *The Information Revolution: Opposing Viewpoints*, by Laura K. Egendorf

For students at a Grade 11 reading level:

- *Is Air Pollution a Serious Threat to Health?* by Andrea C. Nakaya

READING SUPPORT FROM JAMESTOWN EDUCATION

- **Timed Readings Plus in Social Studies** helps students increase their reading rate and fluency while maintaining comprehension. The 400-word passages are similar to those found on state and national assessments.
- **Reading in the Content Area: Social Studies** concentrates on six essential reading skills that help students better comprehend what they read. The book includes 75 high-interest nonfiction articles written at increasing levels of difficulty.
- **Reading Social Studies** includes strategic reading instruction and vocabulary support in Social Studies content for both ELLs and native speakers of English.
- **Content Vocabulary Workout** (Grades 6–8) accelerates reading comprehension through focused vocabulary development. Social Studies content vocabulary comes from the glossaries of Glencoe's Middle School Social Studies texts.

KEY Teacher Wraparound

Use this key to help you identify the different types of prompts found in the Teacher Wraparound Edition.

R **Reading Strategies** activities help you teach reading skills and vocabulary.

C **Critical Thinking** strategies help students apply and extend what they have learned.

D **Differentiated Instruction** activities provide instruction for students learning to speak English, along with suggestions for teaching various types of learners.

S **Skill Practice** strategies help students practice historical analysis and geography skills.

W **Writing Support** activities provide writing opportunities to help students comprehend the text.

Teaching strategies and activities have been coded for ability level appropriateness.

AL Activities for students working above grade level

OL Activities for students working on grade level

BL Activities for students working below grade level

ELL Activities for English Language Learners

Focus

Why It Matters

Ask: Why is a strong economy important to you, your family, and the nation as a whole? (Answers may include the idea that a strong economy means a better standard of living for students and their families and more choices of how people across the nation work, live, and enjoy themselves.)

More About the Photo

Visual Literacy The Houston Ship Channel, in use since steamboats first navigated it in 1837, plays a major role in the economy of the Houston area and of Texas. More than 150 businesses provide over 250,000 jobs and pump billions of dollars into the economy as 200 million tons of cargo enter the United States through the port each year. The Port of Houston Authority oversees the ship channel's operations.

Government and the Economy



Why It Matters

Promoting a stable, growing economy is a major goal of the federal government. The decisions that government makes affect our economic lives every day. As you read the chapter, list the specific ways in which the government affects you economically.

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Teach

BIG Ideas

As you begin teaching each section, use these questions and activities to help students focus on the Big Ideas.

Section 1

The Role of Government **Ask:** Where do you see government influence in how you earn and spend your money? (Answers may include government rating systems, which place age restrictions on

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products, and age, driving, and time limitations for some teen jobs.) Point out that in Section 1 students will learn how government intervention encourages a healthy and competitive business environment in the nation. **OL**

Section 2

Measuring the Economy **Ask:** Do you ever hear or read about the daily gains and losses of the stock market? What does this information mean? (Answers may include an awareness of the Dow Jones, NASDAQ, or S&P highs and lows and an understanding that when the stock market goes up, it is often an indicator of a healthy economy.) Tell students that in Section 2 they will learn how economists determine the health of the nation's economy. **OL**

BIG Ideas

Section 1: The Role of Government

Free enterprise is the freedom of individuals and businesses to operate and compete with a minimum of government interference or regulation. In order to encourage competition and prevent monopolies, governments take steps to regulate economies.

Section 2: Measuring the Economy

An economic system is the way a society organizes the production and consumption of goods and services. Our government plays a limited, but important, role in measuring and trying to balance the alternating periods of growth and decline called the business cycle.

Section 3: Government, the Economy, and You

People form governments to establish order, provide security, and accomplish common goals. A major focus of government programs is to help people in poverty.

FOLDABLES™
Study Organizer

Dinah Zike's
Foldables

Purpose This Foldable helps students summarize information about the interaction of the government, the individual, and the economy and their respective roles in this interaction. The completed Foldable will help students review the key concepts in the chapter and apply them to their own lives. **OL**

More Foldables activities for this chapter can be found in the *Dinah Zike's Reading and Study Skills Foldables* ancillary.

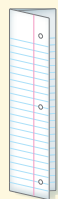
Civics ONLINE

Introduce students to chapter content and key terms by having them access the **Chapter Overview** at glencoe.com.

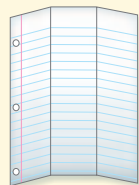
FOLDABLES™
Study Organizer

Summarizing Information Study Foldable Make the following Foldable to help you summarize what you read about the role of government, how it measures the economy, and how you are involved.

Step 1 Mark the midpoint of the side edge of a sheet of paper.



Step 2 Fold the outside edges in to touch at the midpoint.



Step 3 Unfold the paper and label the three columns as shown.



Reading and Writing

As you read the chapter, note information about the three economics topics in each of the columns. Then write a summary of each topic using the information you noted.

Section 3

Government, the Economy, and You

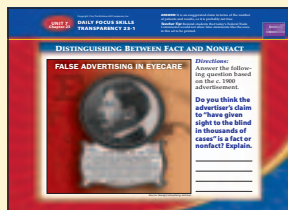
Ask: What programs exist in your community to assist people in financial need? (Answers may include local food pantries, school lunch programs, homeless shelters, or counseling programs.) Explain that in Section 3 students will learn what steps local, state, and federal governments take to aid people in times of financial difficulty. **OL**

Focus



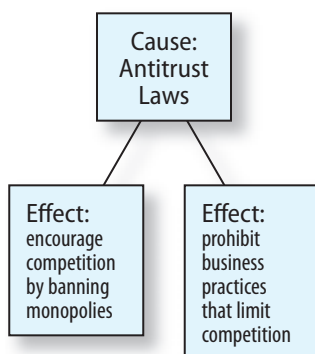
Bellringer

Daily Focus Transparency 23-1



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about the role of government, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

Free enterprise is the freedom of individuals and businesses to operate and compete with a minimum of government interference or regulation.

Content Vocabulary

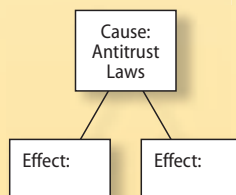
- private good (p. 631)
- public good (p. 631)
- externality (p. 631)
- monopoly (p. 633)
- antitrust law (p. 633)
- merger (p. 633)
- natural monopoly (p. 634)
- recall (p. 635)

Academic Vocabulary

- exclude (p. 631)
- achieve (p. 632)
- minimize (p. 634)

Reading Strategy

Analyzing Cause and Effect As you read, record the results of the government passing antitrust laws on a graphic organizer like the one below.



The Role of Government

Real World Economics Fuels of the future are brought to life at a government-sponsored design exposition in Washington, DC. Scientists, businesspeople, and students are brought together to compete against each other with new ideas about technology and design. This student from Appalachian State University won an award for building a production facility that makes biodiesel fuel from used cooking oil and then recycles the oil's waste to make soap.

▼ Award-winning student with biodiesel fuel



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Academic Vocab., p. 631 • Making Connect., p. 632 • Act. Prior Know., p. 634 Additional Resources <ul style="list-style-type: none"> • Read. Skills, URB p. 7 • Pri. Source Read., URB p. 15 • Foldables, URB p. 95 	Teacher Edition <ul style="list-style-type: none"> • Contrasting, p. 631 • Det. Cause/Effect, p. 633 • Ident. Cent. Issues, p. 634 Additional Resources <ul style="list-style-type: none"> • Biography Act., URB p. 25 • Crit. Think. Act., URB p. 31 	Teacher Edition <ul style="list-style-type: none"> • Visual/Spatial, p. 633 Additional Resources <ul style="list-style-type: none"> • School-to-Home Act., URB p. 37 • Reteach. Act., URB p. 39 	Teacher Edition <ul style="list-style-type: none"> • Persuasive Writing, p. 635 Additional Resources <ul style="list-style-type: none"> • Citizenship/Decision-Making, URB p. 3 	Teacher Edition <ul style="list-style-type: none"> • Analyzing Visuals, p. 632 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 23-1

Providing Public Goods

Main Idea Governments usually provide public goods, while businesses usually provide private goods.

Economics & You Would you like to live near an airport? Read to find out what economic idea might influence your decision.

Government plays several important roles in the economy. One role is providing goods and services—such as national defense—that private businesses do not provide.

What Are Private Goods? Most goods and services that businesses produce are **private goods**, or goods that, when consumed by one individual, cannot be consumed by another. Consumption of private goods and services is subject to the exclusion principle.

R This means that a person is **excluded**, or prevented, from using that good or service unless he or she pays for it. Private goods are the items we buy and replace, for example, clothes and food. Private services include such things as insurance, haircuts, medical services, auto care, and telephone services.

What Are Public Goods? This is in contrast to **public goods**, or goods that can be consumed by one person without preventing the consumption of the good by another. Consumption of public goods is subject to the nonexclusion principle. This means that no one is excluded from consuming the benefits of a public good whether or not he or she pays. Examples of public goods include public parks, public libraries, museums, highways, and street lighting.

Because of the difficulty of charging for public goods, the government usually provides them. If government did not provide these public goods and services, then the private sector would not provide them in adequate amounts because it is so difficult to get people to pay for them.



Public Goods Public goods include the highway system, national defense, and space exploration. **Analyzing** Would the private sector provide these goods and services if the government did not?

As a result, the production of public goods is one of the responsibilities of government. The government still has to pay for them, but it raises the money through taxes and then provides the products to everyone.

Dealing with Externalities

The government also plays a role in handling externalities. An **externality** is the unintended side effect of an action that affects someone not involved in the action. Suppose a company pays end-of-year bonuses to its workers. Restaurants and stores in the area will probably see their sales go up because the workers have more money to spend. These businesses experience externalities. They were not involved in the paying of bonuses, but they were affected by it.

Teach

Reading Strategy

Academic Vocabulary Ask: What other words or phrases mean nearly the same as “excluded?” (Answers may include synonyms such as “left out,” “omitted,” “barred,” “prohibited,” and “kept out.”) **ELL**

Critical Thinking

Contrasting Ask: How do private goods differ from public goods? (Private goods must be paid for by the individual consumer; public goods are provided by the government for all to use without a transfer of money. Private goods are often items that are used up and replaced; public goods are often used over a long period of time.) **OL**

Caption Answer:

Answers may include the idea that some of these public goods, such as the highway and defense systems, are necessary and might be provided by private companies. The space program, though not essential, might also hold great interest for private companies.

Differentiated Instruction

CITIZENSHIP AND DECISION-MAKING ACTIVITY 7

Free Enterprise and You

Why It Matters
The economy is based on the free enterprise system. When the economy is strong, everyone benefits. However, a weak economy can have negative effects on the entire country.

Background
After World War II, many people moved to the suburbs. They built new homes and started businesses. The economy began to grow. Shopping centers began to spring up in the suburbs. Many of these stores began to offer a variety of goods and services. This led to the development of big-box stores.

Objectives to Consider
Directions: Answer the questions below on a separate sheet of paper.
1. Identifying What opportunities might exist in your community?
2. Listing Refer to your textbook. What are some reasons that government might want to regulate business?

Do You Know? In 2005, Wal-Mart had more than 1,100 stores in the United States. More than any other big-box store, Wal-Mart has more than 1,100 stores in the United States. More than any other big-box store, Wal-Mart has more than 1,100 stores in the United States.

Your Task
You are going to learn more about how big-box stores can affect a community.

Company	Headquarters	Stores in the United States
Wal-Mart	Bentonville, Arkansas	1,100
Kroger	Cincinnati, Ohio	2,000
Target	Minneapolis, Minnesota	1,100
Costco	Issaquah, Washington	450
Home Depot	Atlanta, Georgia	1,100

Cit./Decision-Making Act. 7, URB pp. 3–4

Free Enterprise and You

- Objective:** To discuss big-box chains
- Focus:** Have students explain why they shop at certain stores.
- Teach:** Have students describe big-box stores near them.
- Assess:** Have students debate the pros and cons of big-box stores.
- Close:** Invite a local businessperson to describe the impact of big-box stores on him or her.

Differentiated Instruction Strategies

- BL** Ask big-box store employees about their jobs. Report your findings to the class.
- AL** Research a community that has tried to keep a big-box store from moving in. Report your findings to the class.
- ELL** Discuss U.S. big-box stores that operate in other countries.

S Skill Practice

Analyzing Visuals Ask: Of the federal agencies described, which is the most vital? (Answers will vary but immediate medical care will probably be mentioned.)

OL

R Reading Strategy

Making Connections Ask: How does the government work to prevent negative externalities? (through agencies such as the Environmental Protection Agency and Food and Drug Administration) OL

Analyzing Charts

Answers:

- the EPA
- Answers may include the idea that health concerns are usually national, not statewide, and researchers work in every part of the nation.

Civics ONLINE

Objectives and answers to the **Student Web Activity** can be found at glencoe.com under the Web Activity Lesson Plan for this chapter.

Reading Check Answer: taxes




Hands-On Chapter Project Step 1

An Economic History of Our Community

Step 1: Locating Sources of Information Students will research sources of information about the community's economic development.

Directions Write the Big Idea of Section 3 on the board. Remind students that an

Federal Regulatory Agencies

Federal Agency		Responsibility
Environmental Protection Agency (EPA)		Prevents air and water pollution
Centers for Disease Control and Prevention (CDC)		Considers all factors that affect the health of the nation
Occupational Safety and Health Administration (OSHA)		Makes sure that workplaces are safe and healthful
National Institutes of Health (NIH)		Serves as the nation's medical research agency
Food and Drug Administration (FDA)		Makes sure that food, drugs, and cosmetics are pure, effective, and truthfully labeled

S

Analyzing Charts

- Identifying** Which agency would regulate a kind of filtering system on a factory smokestack?
- Analyzing** Why do you think the National Institutes of Health is a national agency rather than a state-run agency?

Positive Externalities One reason that governments provide public goods is that these goods produce positive externalities. Everyone—not just drivers—benefits from good roads. Good roads make it cheaper to transport goods. As a result, those transported goods can sell for lower prices, which benefits everybody.

Governments can also take actions that indirectly lead to positive externalities. In the 1960s, the government wanted to put a man on the moon. The space program needed someone to develop smaller computers to achieve, or reach, this goal. The government provided money to researchers who developed tiny computer chips. Today, those chips

are found in calculators, cars, household appliances, and cell phones, benefiting many people. Many government activities encourage positive externalities.

Negative Externalities Some externalities can be negative. That happens when an action harms an uninvolved third party. Suppose a chemical company tried to cut costs by dumping poisonous waste into a river. People who relied on the river water would suffer a negative externality from this pollution. One of the roles of government is to prevent these and other kinds of negative externalities.

R

Civics ONLINE

Student Web Activity Visit glencoe.com and complete the Chapter 23 Web Activity.

Reading Check Describing How does a government usually pay for public goods and services?

orderly, secure community is one in which a strong economy provides work for people to do and goods and services for consumers to use. Tell students that they will learn about the economy in their community and assess its health. They will use their research to produce a brochure about their community's economic history and its future.

Gathering Information Divide students into groups to research libraries, newspaper archives, historical societies, and Web sites or local offices for information about the history of small and large businesses in their community. Each group should take notes from their assigned source. OL
(Project continued in Section 2)

Maintaining Competition

Main Idea One government role is to ensure competition in the economy.

Economics & You Have you ever played the game Monopoly? Read to find out for which economic idea this game is named.

Markets work best when there are large numbers of buyers and sellers. Sometimes, however, a market becomes controlled by a **monopoly**, a sole provider of a good or service. With no competition, a monopoly can charge any price it wants, and consumers may suffer.

Antitrust Laws

Historically, one of the goals of government in the United States has been to encourage competition in the economy. The government tries to meet this objective through its **antitrust laws**, or laws to control monopoly power and to preserve and promote competition.

Sherman Antitrust Act In 1890, the federal government passed the Sherman Antitrust Act. This law banned monopolies and other forms of business that prevented competition. In 1911, the government used it to break up the Standard Oil Company, which had a monopoly on oil. More than 70 years later, the government used the act again to regulate American Telephone and Telegraph (AT&T). This action created more competition in telephone service.

Clayton Act In 1914 Congress passed the Clayton Act to clarify the Sherman Act. The Clayton Act prohibited or limited a number of business practices that lessened competition; for example, charging high prices in an area where little competition existed. Another part of the Clayton Act restricted the

use of the injunction against labor unions. It also gave legal support to peaceful strikes and boycotts.

Mergers

Whenever a **merger**, a combination of two or more companies to form a single business, threatens competition, government may step in to prevent it. For example, when the two leading office-supply stores, Staples and OfficeMax, wanted to merge, the federal government prevented it, arguing that a merger of these two giant firms would result in less competition and higher prices for consumers. On the other hand, the government did not prevent the 2001 merger of Hewlett-Packard and Compaq Computer, two leading personal-computer makers.

Oil Trust John D. Rockefeller took almost total control of the oil industry in the late 1800's until the government broke up his Standard Oil empire. **Explaining** Why did the government want the Standard Oil Company broken up?



633

D Differentiated Instruction

Visual/Spatial Bring in a Monopoly® game and set out the board for students to see. Tell students that the game was created in 1933, not long after the anti-trust acts discussed here were passed. Explain the rules about property acquisition briefly to students. **Ask:** What is the likely outcome of the game for the person who obtains the most monopolies? (That person will probably win the game.) **BL ELL**

C Critical Thinking

Determining Cause and Effect **Ask:** Why might the government question a merger of companies that produce electricity but allow a merger of companies that produce jewelry? (Electricity is a necessity. There would not be enough competition between electric companies, possibly resulting in higher prices for consumers. Jewelry companies produce luxury items that would not affect many consumers.) **OL**

Caption Answer:

The government did not want one company to set high prices on a necessary commodity. By forcing a break-up, the government encouraged competition, business growth, and new oil-production technologies.

Differentiated Instruction

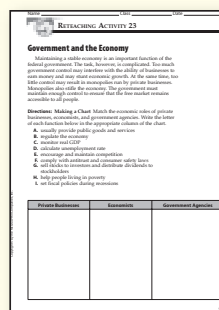
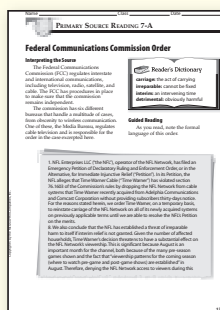
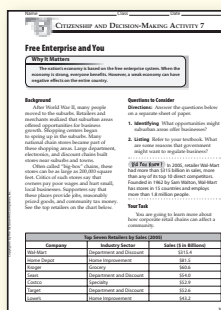
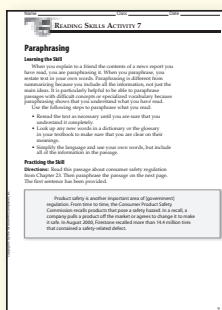
Leveled Activities

BL Reading Skills Activity 7, URB pp. 7–8

OL Cit./Decision-Making Act. 7, URB pp. 3–4

AL Primary Source Reading 7A, URB pp. 15–16

ELL Reteaching Activity 23, URB p. 39



C Critical Thinking

Identifying Central Issues Ask: **How do governments reduce negative externalities?** (by regulating some activities of businesses) **BL**

R Reading Strategy

Activating Prior Knowledge Ask: **Why is the telecommunications industry no longer a natural monopoly?** (There are now many companies competing for consumers with a variety of telecommunications products.) **OL**

American Biography**Answer:**

Chao has worked in the Office of Policy Development, the Department of Transportation, the Federal Maritime Commission, the Peace Corps, and the Department of Labor.

Additional Support**Teacher Tip**

As you guide the discussion, ascertain whether students' understanding of the connection between natural monopolies and the need for government regulation is clear.

American Biography**Elaine L. Chao (1953 –)**

Elaine Chao is the first Asian American to hold the position of Secretary of Labor. She was named to the position in 2001 by President George W. Bush.

Chao's father came to the United States in 1958 as an employee of a Chinese shipping company and later opened his own shipping business. He brought his family to America three years later. Elaine graduated from Syosset High School in Westchester County, New York, and earned her bachelor's degree in economics from Mount Holyoke College. She was awarded an MBA from Harvard Business School and also studied at Columbia University, MIT, and Dartmouth College.

Before entering government service, Chao worked for Gulf Oil Corporation and as a loan specialist in the ship financing department of Citicorp. She was accepted as a White House Fellow in 1983 as a special assistant in the Office of Policy Development in the Ronald Reagan administration. Chao's other government positions include Deputy Secretary

at the U.S. Department of Transportation, Chairman of the Federal Maritime Commission, and Deputy Maritime Administrator in the U.S. Department of Transportation. President George H. W. Bush nominated her to head the Peace Corps in 1991.

Chao, the mother of three daughters, is married to the former Assistant Majority Leader of the United States Senate, Senator Mitch McConnell of Kentucky.

**Making a Difference****CITIZENSHIP**

Describing In what departments of government has Chao worked?

Regulating Market Activities

C Recall that governments want to reduce negative externalities. To carry out this work, they regulate some activities by businesses. That is, government agencies make sure that businesses act fairly and follow the laws. Some of the federal agencies that regulate businesses are shown on the chart on page 632. Government regulation is needed in three important areas.

Natural Monopolies Sometimes it makes sense to have a single firm produce all of a particular good or service for a market. For example, it would not make sense to have three or four telephone companies compete in a local community if each company had to put up its own set of telephone poles.

This often leads to a **natural monopoly**, a market situation in which the costs of pro-

duction are **minimized**, or lessened, by having a single firm produce the product. In exchange for having the market all to itself, the firm agrees to government regulation. This is why many public services such as natural gas and water are delivered by a single firm.

R In the past, the telecommunications industry was usually considered a natural monopoly. Like water companies and railway companies, the existence of several telecommunications companies serving the same area would result in inefficiency.

The large size, or scale, of most natural monopolies seemed to give them economies of scale—by which they could produce the largest amount for the lowest cost. However, advances in technology are making these industries more competitive. The government is making moves to deregulate and open natural monopolies up for competition.

Activity: Technology Connection

Considering New Natural Monopolies Ask: **What new technologies might fall under government regulation as natural monopolies? Which will thrive in a competitive market instead?** Have students brainstorm a list of new technologies for

producing energy that are slowly entering the energy market. Students might think of technologies that utilize wind, solar, or wave power. Have students work in groups to research what is required to produce these new kinds of energy. **OL**

Advertising and Product Labels

Government is also involved when it comes to truth in advertising and product labeling information. For example, some sellers may be tempted to give misleading information about a product in order to sell it. Even the content of food labels is important because some people are allergic to certain products such as eggs, milk, and peanuts.

The Food and Drug Administration (FDA) is the agency that deals with the purity, effectiveness, and labeling of food, drugs, and cosmetics. The Federal Trade Commission (FTC) deals with problems of false advertising and product claims. The FTC also administers antitrust laws forbidding unfair competition and price fixing.

The FTC has the power to review the advertising claims made about all products sold in interstate commerce. It may

determine whether an advertisement for a product is false or unfair. If it is, the FTC can order the company to change the ad to comply with FTC standards. As a result of one ruling, cigarette manufacturers must place a health warning on cigarette packages.

Product Safety Product safety is another important area of regulation. From time to time, the Consumer Product Safety Commission recalls products that pose a safety hazard. In a **recall**, a company pulls a product off the market or agrees to change it to make it safe. In September 2006 producers needed to recall fresh spinach because of suspected E-coli contamination. That same month, 7 million Sony laptop batteries were recalled.

Reading Check Explaining What is a recall? Why are some products recalled?

Writing Support

Persuasive Writing Have students select an ad from a magazine or newspaper for a product with which they are familiar. Ask them to write an assessment of the ad as though they are from the FTC and must review all advertising claims. **AL**

Reading Check Answer: A recall is the removal of a product from the market due to safety or health concerns.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review content.

Close

Predicting Consequences Have students discuss what the consequences might be with the end of government oversight of the nation's business practices. **OL**

Section Review

Vocabulary

- Write** a paragraph related to government's role in the economy using the following terms: *private good, public good, externality, monopoly, antitrust law, merger, natural monopoly, recall*.

Main Ideas

- Explaining** What is a positive externality?
- Describing** How can a monopoly control the price of a product?

Critical Thinking

- Concluding** Think about something that your local government provides for citizens. Could this good or service be supplied by a private business? Why or why not?
- BIG Ideas** On a diagram like the one below, give an example of a negative externality and a positive externality of having an airport built near your home.

Airport	
Negative Externality	Positive Externality

CITIZENSHIP Activity

- Research** Interview a local business owner. Find out what he or she feels about government regulations that affect his or her business. Ask how the business owner would change government policies and programs.
- Persuasive Writing** Write a paragraph either supporting or disagreeing with this statement: Private businesses can do a better job than government of supplying water, sewer, and electricity to our community. Give reasons for your opinion.



Study Central™ To review this section, go to glencoe.com.

Answers

- Paragraphs should use the vocabulary words according to their definitions in the section and in the Glossary.
- A positive externality is a benefit from a product or service to people who do not use that product or service.
- A monopoly is the only source of a product or service, so it can set the price of that product or service and not fear any competition.

- Answers may include any good or service provided by the community, such as parks, hiking trails, and water and sewer services.

Airport	
Negative Externalities	Positive Externalities
More noise, traffic, and air pollution	New businesses such as restaurants and motels for travelers

- Students should report the interviewed business owner's ideas accurately and completely.
- Paragraphs should be governed by a clear position supporting or disagreeing with the statement and should include specific support for that position.

S Skill Practice

Analyzing Visuals Ask: Does the photo of the workers in Vietnam convince you that outsourcing is good for the United States and for other countries? (Answers will include both positions. Some will say that the workers in Vietnam need work and can do it well and cheaply. Others will say that jobs should stay in this country regardless of the labor costs.) **OL**

Debating the Issue

Answers:

1. Outsourcing is moving jobs from the United States to other countries, where workers are paid less.
2. Jobs requiring specialized training and education—skilled labor—were once secure.
3. Madigan suggests that training to help workers gain skills and financial support for those whose jobs are outsourced are needed. Mandel says that U.S. businesses must continue to produce new technologies and thus new and better jobs.
4. The stockholder is interested in increasing profits, and outsourcing can increase profits by decreasing labor costs. The worker wants to protect a job.

Additional Support

Does outsourcing jobs to other countries hurt America?

How would you feel if you had a good job for several years, then your company closed its American office and opened a new branch in another country? National news media often report the number of “jobs lost” in the United States from this outsourcing of jobs. Outsourcing is a controversial issue because it causes plant closings and unemployment in the United States. The number of jobs being outsourced has been growing. Who supports outsourcing? Not only do businesses like the idea, but some economists support it because it helps American business to be competitive in world markets. Outsourcing also helps consumers by lowering prices. So, does outsourcing hurt the American economy?



The Vietnamese workers at a Nike plant help the company export about 22 million pairs of shoes each year.

YES

Kathleen Madigan, a Business Outlook editor for *BusinessWeek*, warns that outsourcing is not only growing, but it is now hitting skilled and service jobs. Former jobs such as writing computer code are no longer complex enough to be secure, and American technology companies are moving them to other continents. What can be done? Madigan says, “The only way the U.S. will keep one rung ahead of the rest of the world is to ensure that we have a broadly educated workforce that keeps learning. At the corporate level, training programs would help current employees move up to better positions. And the government should overhaul jobless benefits to allow displaced workers the time and money to enter new careers.”

—Kathleen Madigan, August 25, 2003

NO

Michael J. Mandel, *BusinessWeek* chief economist, believes that the United States should not fear outsourcing as long as we continue to be the most innovative economy. Our new technologies are providing more jobs than we are losing. “Despite anecdotes of well-paying jobs being sucked overseas, there’s little evidence that educated workers, overall, are worse off than they were after the last recession.” Mandel believes the key is staying at the top of the innovation ladder. “The biggest danger to U.S. workers isn’t overseas competition. It’s that we worry too much about other countries climbing up the ladder and not enough about finding the next higher rung for ourselves.”

—Michael J. Mandel, August 25, 2003

Debating the Issue

1. **Defining** What is outsourcing?
2. **Identifying** What kind of jobs used to be secure from outsourcing?
3. **Comparing** What do the authors quoted above suggest the United States should do about outsourcing?
4. **Analyzing** Why might a stockholder or owner of an American company disagree with a worker in that company about outsourcing?

Activity: U.S./World Connections

Training for Call Centers Ask: What is it like to take a job at a call center and deal with phone calls from Americans? Tell students that one kind of job that has often been outsourced is that of call center worker. These workers take catalogue orders, deal with computer service issues, handle cus-

tomers complaints, and do other jobs that can be done on the phone. Have students use the Internet to see what call center workers in other countries must learn before they can work for U.S. businesses. Allow students to discuss their findings and to consider the challenges of this type of job. **OL**

Guide to Reading

Big Idea

An economic system is the way a society organizes the production and consumption of goods and services.

Content Vocabulary

- real GDP (p. 638)
- business cycle (p. 638)
- civilian labor force (p. 640)
- unemployment rate (p. 640)
- fiscal policy (p. 641)
- inflation (p. 641)
- consumer price index (CPI) (p. 642)

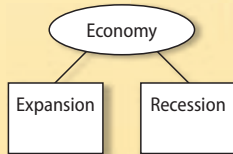
Academic Vocabulary

- period (p. 638)
- implement (p. 641)

Reading Strategy

Organizing Information

Create a graphic organizer like the one below to describe the expansion and recession that can take place in an economy.



Section 2

Measuring the Economy

Real World Economics Traders at the Chicago Stock Exchange cheer after receiving encouraging news from the Federal Reserve. Organized in 1848, the Chicago Board of Trade was the first grain futures exchange in the United States. In its early history, the CBOT monitored only the business of agriculture. Today, cotton, grain, soy, and silver are just some of the items bought and sold in the electronic hubbub of the Chicago Board of Trade.

▼ Traders in the Dow Pit of The Chicago Board of Trade

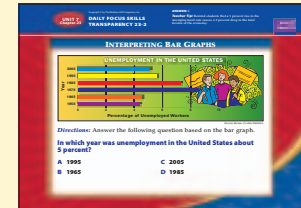


Focus



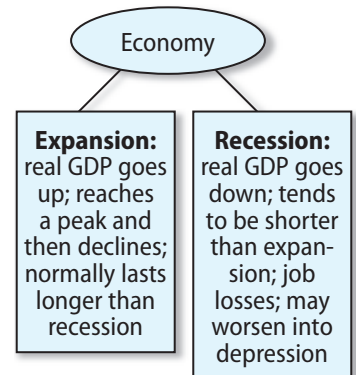
Bellringer

Daily Focus Transparency 23-2



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about measuring the economy, have students watch the Section Spotlight Video for this section.

Resource Manager

R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Making Connections, pp. 638, 643 • Reading Graphs, p. 640 • Identifying, p. 641 • Set a Purpose, p. 643 • Monitoring, p. 645 Additional Resources <ul style="list-style-type: none"> • Acad. Vocab, URB p. 23 • Foldables, p. 95 	Teacher Edition <ul style="list-style-type: none"> • Drawing Con., p. 639 • Det. Cause/Effect, p. 640 • Ident. Cent. Issues, p. 642 Additional Resources <ul style="list-style-type: none"> • Biography, URB p. 25 • Quizzes and Tests, p. 276 	Teacher Edition <ul style="list-style-type: none"> • English Learners, p. 639 • Adv. Learners, p. 641 • Logical/Math., p. 642 • Visual/Spatial, p. 644 Additional Resources <ul style="list-style-type: none"> • School-to-Home Act., URB p. 37 • Reteach Act., URB p.39 	Teacher Edition <ul style="list-style-type: none"> • Personal Writing, p. 644 	Teacher Edition <ul style="list-style-type: none"> • Visual Literacy, p. 638 Additional Resources <ul style="list-style-type: none"> • Chart, Graph, and Map Act., URB p. 33 • Daily Focus Trans., 23-2 • Pol. Cartoons Trans. 23

Teach

Reading Strategy

Making Connections Ask: What are two advantages of a growing economy? (Businesses hire more workers, and people have more money to spend.) **OL**

Skill Practice

Visual Literacy Ask: In what way does the representation of the business cycle, the wave graph, fail to represent an actual business cycle? (The wave components are equal in length and height, whereas a real business cycle will exhibit variation in the lengths of expansion and recession and in the heights of peaks and depths of troughs.) **AL**

Analyzing Graphs

Answers:

1. a trough
2. the peak; expansion leads to the peak

Reading Check Answer: The phases of a business cycle are expansion leading to a peak in growth, followed by a contraction or recession of growth, leading to a trough.

Differentiated Instruction

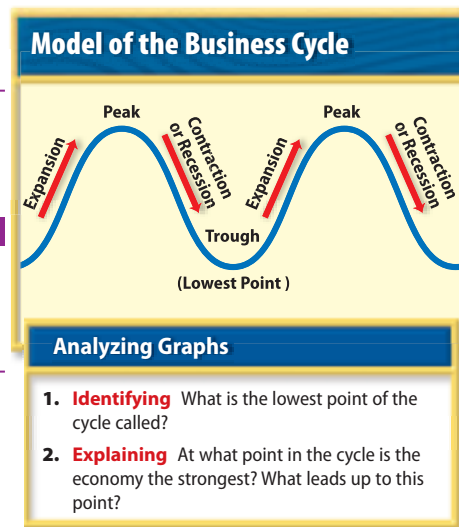
Measuring Growth

Main Idea The real gross domestic product is the most accurate measure of an economy's performance.

Economics & You Have you ever found that an item you wanted to buy had gone up in price? Read to find out how we have to adjust for this phenomenon when we measure economic growth.

Sometimes the economy grows, but sometimes it falters. How do economists decide which **period**, or phase, the economy is in? How do government leaders decide what to do about these changes in economic performance? You will learn the answers to these questions.

One measure of an economy's performance is whether or not it is growing. Economic growth is beneficial to nearly everyone. When the economy grows, businesses are producing more goods and services, and they usually have to hire more workers. People then have more money and buy more.



The gross domestic product (GDP) is a measure of the economy's output. GDP is the dollar value of all final goods and services produced in a country in a year.

Real GDP

Even if the country produces the same amount of goods and services from one year to the next, the gross domestic product could go up simply because prices increase. That would make it *seem* that the economy was growing even though it really was not. To avoid being misled in this way, another measure, **real GDP**, is used. Real GDP shows an economy's production after the distortions of price increases have been removed. This eliminates the false impression that output has gone up when prices go up.

The Business Cycle

The economy tends to grow over time, but it does not grow at a constant rate. Instead it goes through alternating intervals of growth and decline that we call the **business cycle**. The graph on this page shows an idealized business cycle. The line on the graph tracks real GDP. When the line moves upward, real GDP is growing. A downward slope shows a decline in real GDP.

According to this model, the phases of a business cycle begin with expansion leading to an economic peak—a period of prosperity. New businesses open, factories are producing at full capacity, and most people can find work. Eventually, however, real GDP levels off and begins to decline. During this part of the cycle, a contraction of the economy occurs. Business activity begins to slow down. At some point, the downward direction of the economy levels off in a trough. A trough is the lowest point in the business cycle. It occurs when real GDP levels off and slowly begins to increase.

Reading Check Explaining What are the phases of a business cycle?

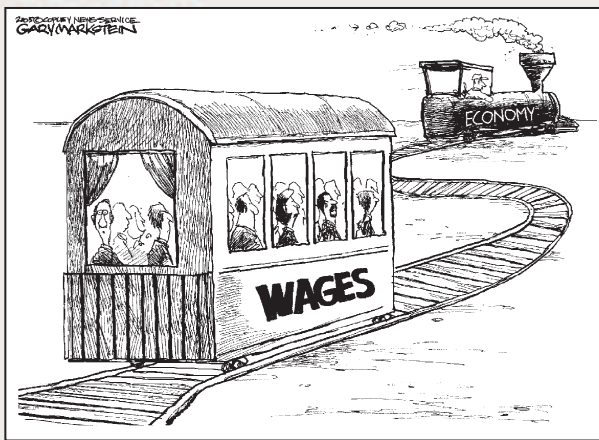
Leveled Activities

BL Biography Activity 23, URB pp. 25–26

OL Chart, Graph, and Map Act. 23, URB pp. 33–34

ELL Guided Reading Activity 23-2, URB p. 42

TIME Political Cartoons



Gary Markstein/Copley News Service

Every year, more than half of all Americans do volunteer work. One of the responsibilities of citizenship is to help make the world a better place. Volunteerism is a key part of our nation's heritage.

Wages for American workers are the topic of this cartoon by Gary Markstein.

1. What railroad symbolism do you see in this image?
2. How does Markstein use these symbols to comment on wages and on the economy?
3. Do you think Markstein is optimistic or pessimistic about higher wages for American workers? Explain.

C Critical Thinking

Drawing Conclusions Ask: Why do economists look for six straight months of decline in GDP before declaring the economy in recession? (Six straight months of decline is good evidence of an economic trend.) **OL**

D Differentiated Instruction

English Learners Ask: What is the difference between a depression and a recession? (A recession is a slowing of the economy with some job losses. A depression is worse; large numbers of people are out of work and there are severe shortages.) **ELL**

Business Fluctuations

Main Idea The economy goes through alternating periods of growth and decline.

Economics & You What did you do the last time you were a little short of cash? Read to find out one way our country copes with economic ups and downs.

In the real world, the business cycles are not as regular as the model shows. An entire business cycle is measured from peak to peak.

Expansions

An economic expansion takes place when real GDP goes up. It does not matter whether the economy is growing by a little or by a lot. As long as the real GDP is higher from one period to the next, the economy is expanding. At some point, real GDP reaches its

highest point in an expansion. Then it starts to decline.

Expansions are normally longer than recessions. The longest peacetime expansion in U.S. history lasted from March of 1991 until March of 2001, exactly 10 years.

Recession

A recession takes place when real GDP goes down for six straight months, although most last longer than that. On the business cycle graph, the recessions are shown by a colored background. Fortunately, recessions tend to be shorter than expansions, with the average recession lasting about one year. Even so, recessions are painful times. When the economy declines, many people lose their jobs.

If a recession becomes severe, it may turn into a depression—a state of the economy with large numbers of people out of work, acute shortages, and excess capacity in manufacturing plants.

TIME Political Cartoons

Answers:

1. The engine, representing the economy, has become detached from the car it should pull, representing wages.
2. Markstein uses the symbols to assert that economic growth is not resulting in higher wages.
3. He is pessimistic. The economy engine is steaming down the track, unconcerned about having left the car of wage earners behind.

Differentiated Instruction

Biography Activity 23

Alexander Hamilton (1755–1804)

Alexander Hamilton led the fight for a strong central government in the young United States. He was a brilliant lawyer, writer, and statesman. He was one of the Founding Fathers of the United States.

Hamilton was born in the West Indies. He came to America in 1772 and studied at King's College (Columbia University). After the American Revolution, he worked as an aide-de-camp to General George Washington.

In 1781, Hamilton was first elected to the Continental Congress. He served in the House of Representatives from 1782 to 1788. He was one of the authors of the Federalist Papers, which argued for the ratification of the U.S. Constitution.

Hamilton was a strong supporter of a strong central government. He believed that a strong government was necessary for the country to survive. He was one of the leading voices for the ratification of the U.S. Constitution.

Hamilton was a brilliant leader. He was a strong advocate for the U.S. Constitution. He was one of the most important figures in the early history of the United States.

Biography Activity 23, URB pp. 25–26

Alexander Hamilton

- Objective:** To learn Hamilton's advice for strengthening the U.S. economy
- Focus:** Discuss the possible costs of the American Revolution.
- Teach:** Point out Hamilton's consistently pro-federal government decisions.
- Assess:** Have students list the important events in Hamilton's life.
- Close:** Have students write obituaries for Hamilton that stress his contributions to the nation.

Differentiated Instruction Strategies

- BL** Why is Hamilton's birth date given as 1755/57?
- AL** Why is the metaphor in the last line of the biography particularly appropriate, given Hamilton's career?
- ELL** What was Hamilton's country of birth? Would he have been a U.S. citizen had he been born in New York?

C Critical Thinking

Determining Cause and Effect **Ask:** What are two reasons that businesses would rather be hiring people than having to lay them off? (Businesses benefit from a growing economy; employed people have money to spend on goods and services, and businesses can expand when more people are purchasing their goods and services.) **OL**

R Reading Strategy

Reading Graphs **Ask:** According to this graph, how does the economy fare during times of war? (The economy fares well during times of war; the graph shows an increase in economic growth coinciding with the wars listed.) **OL**

Unemployment

Another way of measuring the economy is to look at employment. Economists start by identifying the civilian labor force, which includes all civilians 16 years old or older who are either working or are looking for work. In the United States, about half of all people belong to the **civilian labor force**.

The **unemployment rate** is the percentage of people in the civilian labor force who are not working but are looking for jobs. As the graph on page 642 shows, the unemployment rate tends to rise sharply during recessions and then comes down slowly afterward.

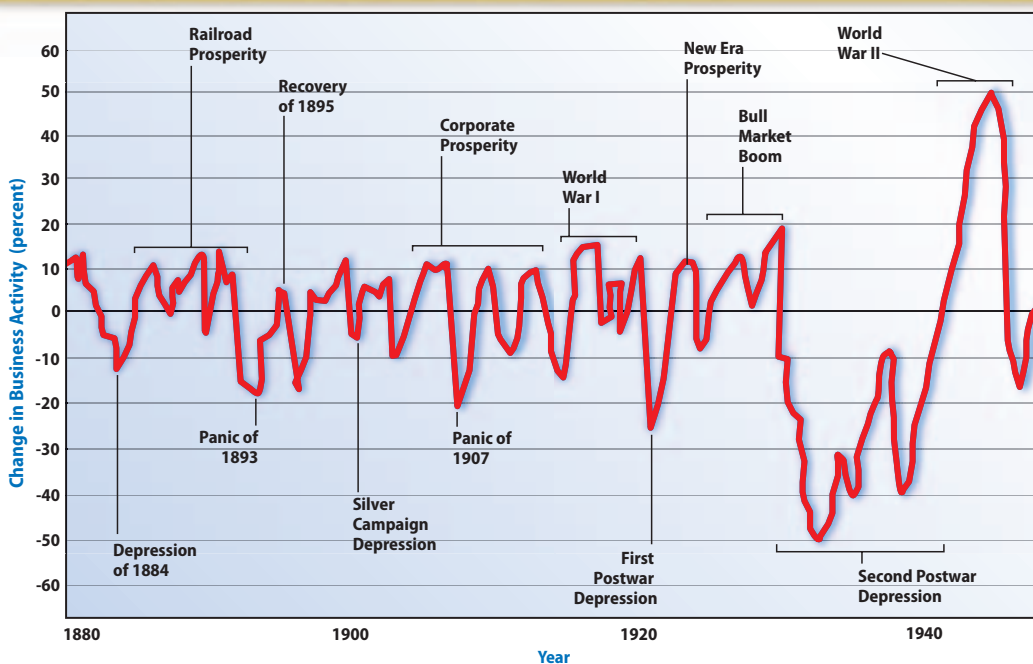
Changes in the unemployment rate are important in terms of the economy as a whole.

A 1 percent drop in the unemployment rate results in a 2 percent rise in total income in the economy. In 2006, total income in the American economy was about \$13.3 trillion. As a result, a 1 percent drop in unemployment would increase total income by about \$266 billion.

Of course, the personal impact of unemployment and lost income can be tremendous. Some people cut back on luxuries, while others must cut back on basic needs such as health care. Some families go deeper into debt by buying more goods on credit.

Times of high unemployment create stress for many people. High unemployment becomes a problem that requires some government action.

U.S. Business Activity Since 1880



Source: National Bureau of Economic Research; *American Business Activity from 1790 to Today*, 67th ed., Ameritrust Co., January 1996, plus author's projections.

Hands-On Chapter Project Step 2

An Economic History of Our Community

Step 2: Compiling and Organizing Information About the Community's Economic Development Students will share the information they have learned and decide on an organizational strategy for presenting the information.

Directions Have students type or scan their research into a common file on the class computer or make copies of each group's research to distribute. Tell students that they will now compare their findings and decide on an organizational plan.

Organizing Information Guide students to check for overlapping information first so that they don't work with the same set of facts more than once. Then, have them sort

the information they have gathered either by time periods, by business types, by area of the community, or by some other organizational strategy. Create student groups to continue working on sections of the decided organizational strategy. In Step 3, students will create a brochure to publish their information. **OL**

(Project continued in Section 3)

Fiscal Policy

When the government does step in, it uses **fiscal policy**, which is changes in government spending or tax policies. The government might cut taxes, for instance. It does this hoping that with more money in their pockets people will buy more goods and services. This increased demand will convince businesses to hire more workers, reducing unemployment.

Sometimes the government increases spending. By buying more goods and services itself, it tries to convince businesses to hire more workers to boost production. Fiscal policy is an important economic tool because of its ability to affect the total amount of output produced—gross domestic product.

Unfortunately, political differences often prevent the effective use of fiscal policy. Specifically, it is usually difficult to **implement**, or carry out, effective fiscal policies when recessions are short and political leaders have different ideas about whether to cut taxes or to increase spending.

Price Stability

Another important indicator of an economy's performance is **inflation**. This is a sustained increase in the general level of prices. Inflation hurts the economy because it reduces the purchasing power of money and may alter the decisions people make.

D Differentiated Instruction

Advanced Learners Have students research the etymology of the word “fiscal”, a word that confuses some readers because its sound is similar to that of “physical”. Ask students to explain the image behind the word to the class to help them remember its meaning. (“Fiscal” comes from a Latin word for “basket.”) **AL**

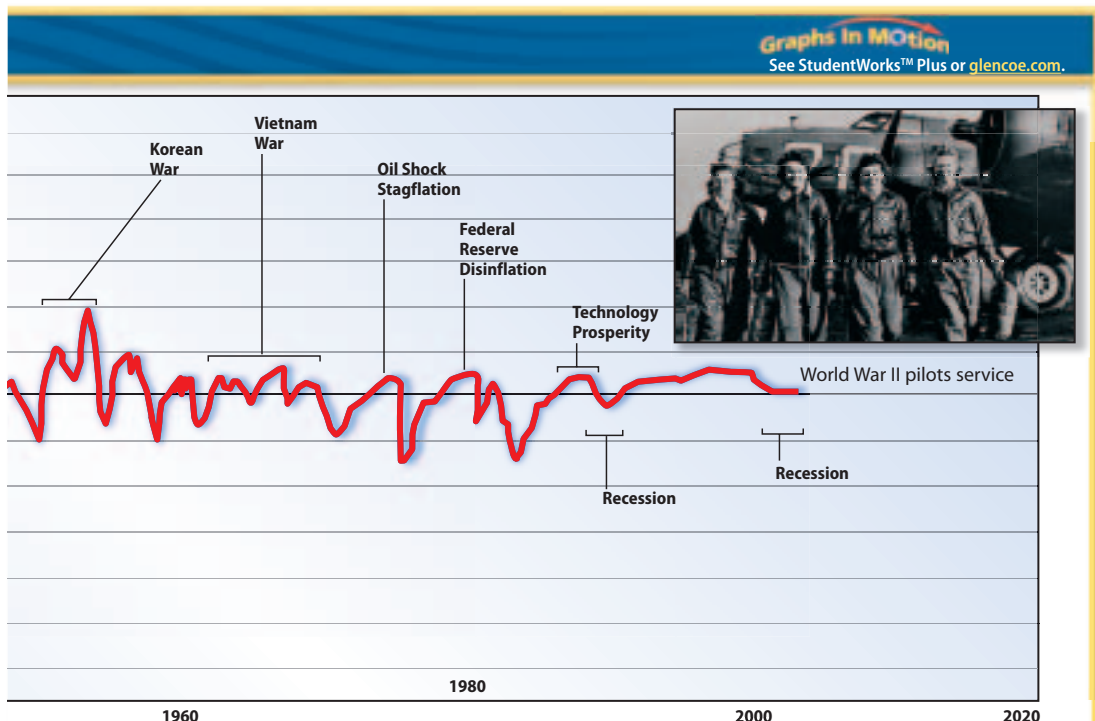
R Reading Strategy

Identifying Ask: **Why is fiscal policy an important economic tool?** (because of its ability to affect the output produced) **OL**

Analyzing Graphs

Answers:

1. A recession often follows a war.
2. With the exception of World War II, which saw a percentage level of about 50 percent, other times of prosperity have a percentage level of about 15 to 20 percent.



Analyzing Graphs

1. **Sequencing** What economic situation often follows a war?
2. **Describing** What percentage level of economic activity do all times of prosperity have in common?

Chapter 23 641

Additional Support

Activity: U.S./World Connection

Making Connections Ask: **What may have caused the dramatic spike in business activity during World War II?** Write students' suggestions on the board. Explain to them that during the years of World War II, U.S. manufacturers had to meet a worldwide demand for military material. After the attack

on Pearl Harbor, the United States also had to rebuild its own military forces. With so many men and women in uniform, the need for labor in U.S. manufacturing was so great that unemployment was minimal and salaries rose. Women and minorities entered the workforce in greater numbers than ever

before to fill the jobs left by soldiers. By 1944, U.S. productivity had far surpassed the productivity of all the enemy nations combined. New products and technologies arose from the effort to win the war. **OL**

C Critical Thinking

Identifying Central Issues Ask: *How is the rate of inflation defined? (by the change in the average level of prices as measured by the CPI)* **ELL**

D Differentiated Instruction

Logical/Mathematical Ask: *Why do people on fixed incomes have problems during times of inflation? (The value of the dollar falls, requiring more dollars to buy the same amount of goods.)* **OL**

Analyzing Graphs

Answers:

1. 5 percent
2. Unemployment is high during periods of recession.

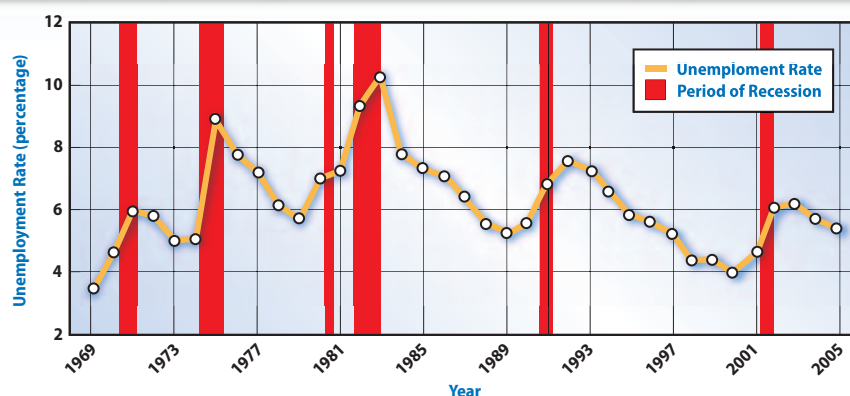
Reading Check Answer: A drop in the unemployment rate improves the economy because more people are earning wages. They can then return those wages to the economy by purchasing goods and services.

Additional Support

Unemployment and the Business Cycle

Graphs in Motion

See StudentWorks™ Plus or glencoe.com.



Analyzing Graphs

1. **Interpreting** What was the approximate unemployment rate in 1989 and 2005?
2. **Explaining** What connection is there between periods of recession and periods of unemployment?

Consumer Price Index To keep track of inflation, the government samples prices every month for about 400 products commonly used by consumers. The prices of these 400 items make up the **consumer price index (CPI)**, which is a popular measure of the price level. Typically, the prices of some items in the CPI go up every month, and the prices of others go down. However, the change in the average level of prices as measured by the CPI defines the rate of inflation.

Inflation and the Value of Money

Suppose that an ice-cream cone that costs you a dollar doubles in price. This price increase causes the purchasing power of your dollar to fall because you have to use twice as many dollars to buy the same item. This is why inflation is particularly hard on people who have fixed incomes—people who get a pension or other fixed amount of money. Inflation also reduces the value of money in a

savings account because it will buy less after inflation than before.

Prices provide the signals that help individuals and businesses make the economic decisions that allocate the factors of production. High rates of inflation distort this process because people begin to speculate, or buy things such as land or works of art they think will go up in value.

When speculation takes the place of investment in capital goods or services such as education, the economy begins to suffer. Unfortunately, the government itself can do very little to prevent inflation because inflation results from monetary policy decisions. You will read about monetary policy and how the Federal Reserve System implements monetary policy in the next chapter.

Reading Check Describing How does a drop in the unemployment rate affect the nation's economy?

Did You Know?

Ask: Why is there a Consumer Price Index? (to determine how much consumers are getting for their money) The Consumer Price Index measures the costs of many necessities such as food, fuel, and medical care, as well as luxuries. Wealthier nations, whose productivity is diverse, might measure the costs of several hundred items; nations with lower productivity might measure only

those items people must have, not those items people may want or choose to buy. The formula for measuring the cost of the items is not precise. A gallon of milk, for example, might cost more in a rural grocery store than in a city supermarket. Still, the CPI provides a method of determining whether individuals and families are getting more—or less—for each dollar spent. **OL**

Stocks and Stock Markets

Main Idea Stock markets are usually good indicators of the health of the economy.

Economics & You You have probably heard a statement like this on the news: "The Dow Jones Industrial Average rose 2 percent today." Read to find out what statements like these tell us about the economy.

Investors normally want to buy stock if they think they will make money on it. Profits from stock come in two ways—from dividends or from capital gains. Dividends are a share of the corporation's profits that are distributed to shareholders. A capital gain occurs when

stock can be sold for more than it originally cost to buy. Suppose a person buys stock at \$20 a share and sells it for \$30. The person has had an increase in his or her capital, or wealth, of \$10 a share. Of course, the value of stock may also fall. If a person decides to sell stock at a lower price than he or she paid for it, that person suffers a capital loss. Money may be made or lost on government bonds in much the same way.

Why Stock Prices Change

The price of a company's stock, like most other things, is determined by supply and demand. Factors such as changes in sales or profits, rumors of a possible takeover, or news of a technological breakthrough can change the demand for a company's stock and, therefore, its price.

The NYSE To be listed on the New York Stock Exchange, a corporation must prove to the exchange that it is in good financial condition. **Analyzing** How does inflation affect the value of stocks sold on the NYSE?



Activity: Economics Connection

Identifying Ask: What are the major stock indexes? (the Dow-Jones Industrial Average, Standard and Poor's, and NASDAQ) Have students use library or Internet sources to research basic facts about the stock indexes. Students should answer these questions

about each index: What does its name mean, or after what is it named? When did it come into use as a measure of the economy? What kinds of stocks does it measure? Have students present their findings in a chart or other graphic organizer. **OL**

R₁ Reading Strategy

Setting a Purpose Ask: Why is it important to understand how the stock market works? (Anyone can invest in the stock market, but investors must understand how their investments work.) **OL**

R₂ Reading Strategy

Making Connections Have students discuss how the use of the word "capital" in the phrase "capital gains" (or "capital losses") is similar to the use of the word in the phrase "capital goods" (Chapter 19). **AL**

Caption Answer:

Inflation affects the price of goods and services, which in turn affects the supply of and demand for those goods and services. Thus, a stock may not be worth as much as it was before inflation. Inflation also decreases the number of dollars an investor can use to buy stocks.

W Writing Support

Personal Writing Have students write a paragraph about their feelings on stock market investments. Would they buy stocks or not? **OL**

D Differentiated Instruction

Visual/Spatial Remind students that a bull market is headed up, but a bear market is headed down. Have students illustrate their interpretations of bull and bear markets. **ELL BL**

Reading Check **Answer:** by receiving dividends as shareholders or by buying stocks at one price and selling them at a higher price.

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review.

Close

Taking Notes Have students use the Reading Essentials and Note-taking Guide for the chapter to take notes, and quiz each other. **OL**

Section 2 Review

Stock Market Indexes Because most investors are concerned about the performance of their stocks, they often consult stock indexes. These are statistical measures that track stock prices over time and give us an idea of the well-being of the stock market as a whole. The Dow-Jones Industrial Average (DJIA) and Standard and Poor's (S&P) are the two most popular indexes. The DJIA tracks prices of 30 representative stocks. The S&P 500 index tracks the prices of 500 large stocks.

Stock Exchanges Stocks in publicly traded companies are bought and sold in a stock market, or a stock exchange, a specific location where shares of stock are bought and sold. The exchange makes buying and selling easy, but you do not have to actually travel to a stock exchange in order to buy or sell stock. Instead, you can call a stockbroker, who can buy or sell your stocks.

Most stocks in the United States are traded on the New York Stock Exchange (NYSE), the American Stock Exchange, or an electronic stock market like the NASDAQ. Computer technology and electronic trading allow investors to trade major stocks around the clock, anywhere in the world.

The Stock Market and the Economy

Indexes like the DJIA and the S&P 500 do more than tell us about the level of stock prices—they reveal investors' expectations about the future. If investors expect economic growth to be rapid, profits high, and unemployment low, then stock prices tend to rise in what is referred to as a "bull market." If investors are pessimistic, stock prices could fall in what is called a "bear market."

Reading Check Explaining What are two ways investors make money on stocks?

Section 2 Review

Vocabulary

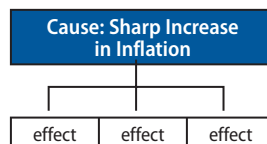
- Write** complete sentences using each of the following terms that will help explain its meaning: *real GDP, business cycle, civilian labor force, unemployment rate, fiscal policy, inflation, consumer price index (CPI).*

Main Ideas

- Comparing** How do GDP and real GDP differ?
- Describing** How is the unemployment rate computed?
- Explaining** How does supply and demand affect a stock's price?

Critical Thinking

- Evaluating** Do you think it is the government's responsibility to try to balance the ups and downs of the business cycle? Justify your answer.
- BIG Ideas** On a chart like the one below, evaluate how a sharp increase in inflation might affect people.



- Analyzing Visuals** Study the graph showing the phases of the business cycle on page 638. How are the recessionary periods in this graph illustrated?

CITIZENSHIP Activity

- Creative Writing** Write a play, short story, poem, or song about a family coping with a down period in the business cycle or a time of high inflation. Share your creative work with the class.



Study Central™ To review this section, go to glencoe.com.

Answers

- Sentences should use vocabulary words according to their definitions in the section and in the Glossary.
- GDP measures the dollar worth of all final goods and services produced in a country in one year. Real GDP adjusts that value by removing the distortions of price increases from the GDP.
- Economists identify the numbers of civilians in the labor force who are working or looking for work. Then, they calculate the per-

centage of civilians in the labor force who are not working but are looking for work.

- Whatever affects the supply or demand for a company's services or goods—new technologies, rumors of a takeover, and so on—also affects the price of its stock as investors consider whether that company's stock will increase in value.
- Students may agree or disagree but should provide evidence for their positions based on the chapter.

- Effects of a sharp increase: the purchasing power of money decreases; the value of money in savings accounts decreases; people on fixed incomes have less money to spend on necessities.
- The recessionary periods are illustrated by sharp dips heading for a trough.
- Students' creative works will vary but should describe the results from times of recession, depression, or high inflation.

How Much Does It Cost?

If something cost \$64 in 1965, what would be the equivalent price in 2006 dollars? Using the Consumer Price Index (CPI) provides an answer. The CPI is a measure of the average change in prices over time for a specific collection of goods and services.

Average Gas Prices, 1950-2006

Year	Price Per Gallon	Price Per Gallon (adjusted for inflation)
1950	\$0.23	\$1.91
1955	\$0.24	\$1.85
1960	\$0.26	\$1.79
1965	\$0.26	\$1.68
1970	\$0.30	\$1.59
1975	\$0.48	\$1.80
1980	\$1.05	\$2.59
1985	\$1.01	\$1.90
1990	\$0.97	\$1.51
1995	\$0.96	\$1.28
2001	\$1.45	\$1.66
2002	\$1.31	\$1.31
2003	\$1.38	\$1.52
2004	\$1.67	\$1.79
2005	\$2.20	\$2.28
2006*	\$2.90	\$2.90

Source: Department of Energy.

*April 2006

Measuring Price Changes

The CPI can be used to compare the price level in one year with price levels in earlier or later periods.

Use this formula to calculate:

$$2006 \text{ Price} = 1950 \text{ Price} \times (2006 \text{ CPI} / 1965 \text{ CPI})$$

Here's the calculation:

$$2006 \text{ Price} = \$64 \times (203.0 / 31.5)$$

$$2006 \text{ Price} = \$64 \times 6.44$$

$$2006 \text{ Price} = \$412.16$$

If something cost \$64 in 2006, what would be the equivalent price in 1965? To calculate, use this formula:

$$1965 \text{ price} = 2006 \text{ price} \times (1965 \text{ CPI} / 2006 \text{ CPI})$$

Here's the calculation:

$$1965 \text{ Price} = \$64 \times (31.5 / 203)$$

$$1965 \text{ Price} = \$64 \times .155$$

$$1965 \text{ Price} = \$9.92$$

Analyzing Economics

- Analyzing** What, if anything, surprises you about the average price of gasoline over time?
- Calculating** From one year to the next, which year shows the biggest increase in the actual price?
- Calculating** From one year to the next, which year shows the biggest increase in price adjusted for inflation?

Chapter 23 645

C Critical Thinking

Identifying Central Issues Ask: **Why is the price of gasoline and other transportation fuels a key to understanding the health of the economy?** (Gasoline is necessary for people to get to their jobs, for factories to run their machines, for the shipment of goods to points of sales, and for heating homes in winter. When fuel prices rise, the prices of goods rise, and simultaneously, people must cut back on spending to pay for their commutes to work.) **OL**

R Reading Strategy

Monitoring Ask: **Who supplies the information on gas prices?** (the Department of Energy) **BL**

Analyzing Economics

Answers:

- Answers may vary but might include that the price has not increased as much as it seems to have when adjusted for inflation. In addition, prices decreased for years before beginning to climb.
- The biggest increase in actual price occurred in 2006.
- The biggest increase in price adjusted for inflation occurred in 1980.

Additional Support

Activity: U.S./World Connection

Determining Cause and Effect Ask: **What happened between 1975 and 1980 to cause the sharp increase in the price of gas?** Have students use library sources, interviews with older family members and friends, and the Internet to research the oil

crisis, or oil shock, that began in 1973. Questions students should answer include: What is OPEC, and how does OPEC influence oil prices? What happened in 1973 to cause a shortage of oil in the United States? How did the oil embargo affect the U.S.

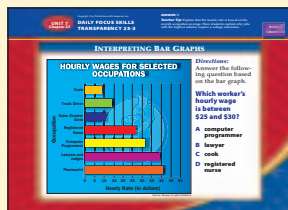
economy? How did these events affect research into alternative sources of power? Have students then write a summary of the events that led to the crisis, its effects on American citizens, and the resolution of the crisis. **OL**

Focus



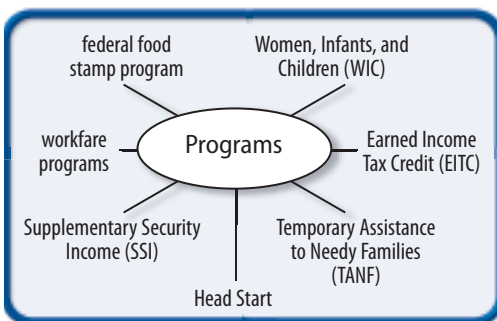
Bellringer

Daily Focus Transparency 23–3



Guide to Reading

Answers to Graphic:



Section Spotlight Video

To learn more about the government, the economy, and you, have students watch the Section Spotlight Video for this section.

Resource Manager

Guide to Reading

Big Idea

People form governments to establish order, provide security, and accomplish common goals.

Content Vocabulary

- food stamps (p. 648)
- Women, Infants, and Children (WIC) (p. 648)
- workfare (p. 649)
- progressive income tax (p. 649)
- Earned Income Tax Credit (EITC) (p. 649)

Academic Vocabulary

- survive (p. 648)
- supplement (p. 649)

Reading Strategy

Comparing Information

On a diagram like the one below, identify four major government programs or policies that are meant to ease the problem of poverty.



Government, the Economy, and You

Real World Economics “Give me a head start!” exclaims this student enrolled in the federally funded preschool program Head Start. For over 40 years, the Head Start program has been a vital educational resource for lower-income families and their preschoolers. It provides educational support to improve children’s readiness level for public school. Additional programs are offered in the areas of health, nutrition, and family support. Today, Head Start supporters are urging Congress to increase funding.

▼ Louisiana 5-year-old successfully finishes lesson with Head Start teacher



R Reading Strategies	C Critical Thinking	D Differentiated Instruction	W Writing Support	S Skill Practice
Teacher Edition <ul style="list-style-type: none"> • Inferring, p. 648 Additional Resources <ul style="list-style-type: none"> • Cont. Vocab., URB p. 21 • Acad. Vocab., URB p. 23 • Guide Read, URB p. 43 • RENTG, p. 222 	Teacher Edition <ul style="list-style-type: none"> • Drawing Con., pp. 648, 650 • Pred. Consequences, p. 649 Additional Resources <ul style="list-style-type: none"> • Quizzes and Tests, p. 277 	Teacher Edition <ul style="list-style-type: none"> • Interpersonal, p. 647 Additional Resources <ul style="list-style-type: none"> • Diff. Instr. Act., URB p. 35 • Reteach. Act., URB p. 39 	Teacher Edition <ul style="list-style-type: none"> • Personal Writing, p. 647 Additional Resources <ul style="list-style-type: none"> • Writing Skills Activities, URB p. 27 	Teacher Edition <ul style="list-style-type: none"> • Analyzing, p. 648 Additional Resources <ul style="list-style-type: none"> • Daily Focus Trans., 23–3

Income Inequality

Main Idea Education, family wealth, and discrimination are reasons for income differences.

Economics & You Think of a wealthy family in your community. How did they earn their wealth? Read to find out three key factors that can influence a person's income.

Though the United States is a wealthy country, not all Americans are personally wealthy. Income levels vary for many reasons. Some people—such as Tiger Woods, Beyoncé, and Stephen King—have special talents that enable them to earn huge amounts of money.

Three Influences on Income

Incomes differ for several reasons. Education, family wealth, and discrimination are common reasons for income differences.

Education Level of education has a major impact on a person's income. The average income of a college graduate—someone with a bachelor's degree—is nearly twice the average income of a high school graduate. More advanced degrees increase income even more. Education puts people in a better position to get the higher-paying jobs that require a higher level of skills.

Because education contributes so much to income, the federal government tries to encourage people to improve their education. This is why there are many programs that encourage education, from free or subsidized lunches to college grants and low-interest loans.

Family Wealth Some people are born into wealth. Having wealthy parents often gives people access to excellent colleges. In addition, wealthy parents can set up their children in a business or pass on their own business.



Education Opportunities Students from Columbia University in New York City celebrate graduation **Explaining** What other factors besides education determine a person's future income?

Discrimination Discrimination is one of the reasons some people do not receive higher incomes. Women and members of minority groups may not be hired into jobs that pay well, or they may not receive promotions for which they are eligible. In addition, salaries for men are normally higher than those for women. This difference is partly a result of discrimination against women.

The government has passed several laws to reduce discrimination. The Equal Pay Act of 1963 requires equal pay for jobs that require equivalent skills and responsibilities. The Civil Rights Act of 1964 bans discrimination on the basis of gender, race, color, religion, and national origin. The Equal Employment Opportunity Act of 1972 strengthened earlier laws. The Americans with Disabilities Act of 1990 extended this protection to people with physical and mental disabilities. People who suffer discrimination can use the courts to enforce these laws.

Reading Check Explaining How does the government encourage people to obtain an education?

Teach

Writing Support

Personal Writing Direct students to write about a U.S. citizen who has inspired them by achieving career successes and also wealth. The person might be an entertainer or someone in business, research, sports, or philanthropy. **OL**

Differentiated Instruction

Interpersonal Bring in job applications that students will have to complete. Point out the sections that require applicants to list education and the Equal Employment Opportunity Commission (EEOC) compliance statement commonly found. Tie the discussion of the applications to the information about influences on income. **OL**

Caption Answer:

family wealth, opportunities or the lack of opportunities (discrimination), and the determination to achieve

Reading Check Answer: The government provides free or reduced-price lunches for children in public schools as well as grants and low-interest loans to college students.

Differentiated Instruction

WRITING SKILLS ACTIVITY 23

Analyzing Effects of Literary Works

Learning the Skill

Readers often write articles, stories, or books in an effort to bring about social change. The author hopes that his or her work will cause change by educating readers about a situation or an issue and encouraging them to take action. Suppose you are writing about the food served in your school cafeteria. You believe that eating more healthful foods for lunch would help your classmates make smarter food choices. You might write an article for the school newspaper, suggesting that the school food service offer popular items such as pizza and hot dogs. Then you know whether your article has an effect on readers? Other students who agree with the idea of a more healthful lunch menu may also then support by buying only healthful food items. The school food service may respond to your article by offering a salad bar.

Follow these steps to learn more about the effects of a literary work on its audience:

- Read the literary work or excerpts from it.
- Identify the intended audience. Who does the author expect to read this work? Is she writing to her peers or to writing to government officials?
- Consider what your audience may think of the work. How do you expect that the audience will react to the work? Will the work bring about anger, outrage, or social change?
- Identify the issue of the work. What is the author's attitude toward his or her subject? Is it respectful or mocking?
- Identify the theme of the work. What is the author's message? The theme may be stated directly, or it may be implied through word choice and detail.
- Note the use of evidence. Think carefully how the author's topic through time and culture from that date forward. Do you see evidence of change that can reasonably be tied to this work of literature?

Practicing the Skill

Because she was confused over the claims made by critics of the welfare system that poor Americans just needed to get on their feet, Barbara Ehrenreich launched a social experiment. She gave up the comforts of her middle-class life and asked America's working poor. Her research resulted in an eye-opening question: Is it possible to live on even \$1.00 a day on an income of \$1.00 a day?

Analyzing Effects of Literary Works

Objective: To analyze the impact of the excerpts

Focus: Discuss familiar minimum-wage jobs.

Teach: As you read the excerpts aloud, check comprehension and encourage discussion.

Assess: Have students record their reactions to the excerpts in their journals.

Close: Have students base their essays on their journal entries.

Differentiated Instruction Strategies

BL What do the jobs that Ehrenreich mentions have in common?

AL What does Ehrenreich mean by "secret economies" and "special costs" in the first excerpt? Give examples.

ELL Check how the definitions "health insurance," "routine care," "prescription drugs," and "antibiotics" relate to the excerpts.

R Reading Strategy

Inferring Ask: Because the most effective programs for helping people in poverty are those that encourage people to go back to work, what can you infer about a leading cause of poverty?

(Lack of work or unwillingness to work is a leading cause of poverty.) **BL**

C Critical Thinking

Drawing Conclusions Ask: What does it mean for impoverished families that the guidelines are based on “conservative estimates” of the costs of necessities? (Conservative estimates will allow just enough to cover the basics, and careful budgeting will be critical.) **OL**

S Skill Practice

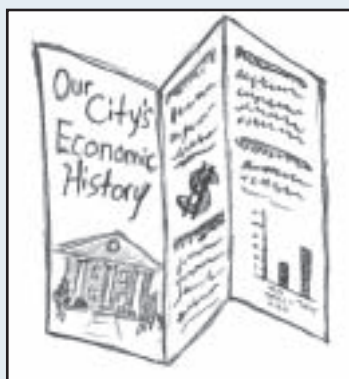
Analyzing Ask: If poverty guidelines are revised annually, when inflation is factored in, would you expect the poverty level of \$9,800 for a single person to go up or down in 2007? (up) **AL**

TIME Teens in Action

Answer:

She means that when people read the works written by homeless people, they will see that homeless people have the same hopes and fears that all people have, rather than thinking of them in a stereotypical way.

Hands-On Chapter Project Step 3



Poverty

Main Idea Poverty is a major problem in America.

Economics & You Do you know a person with a disability who receives money from the government? Read to find out why government helps support people with disabilities.

R People living in poverty or those who are at the bottom of the income scale receive special attention from the government. The most effective government programs are those that have incentives that encourage people to go back to work.

Poverty Guidelines and Programs

C The government uses poverty guidelines to determine whether someone is eligible for certain programs. These guidelines are revised annually and are based on conservative estimates of how much it costs to buy enough food, clothing, and shelter to survive, or exist.

S **People in Poverty** In 2006, a single person was considered to be in poverty if his or her annual income was \$9,800, or about \$27 a day. Today, there are almost 37 million people who fall below this income guideline.

Welfare Programs Most welfare programs are federal programs. The federal food stamp program serves millions of Americans. The goal of the food stamp program is to alleviate hunger and malnutrition by allowing low-income households to obtain a more healthful diet. Some states use electronic debit systems in place of coupons. The program gives low-income families the opportunity to buy food with Electronic Benefits Transfer (EBT) cards.

Another federal welfare program is the Women, Infants, and Children (WIC) program. It provides help with nutrition and health care to low-income women, infants, and children up to age 5.

TIME Teens in Action

Erika Herman

Erika Herman, 18, of Bethesda, Maryland, sees potential in people—that is why she started Project Hidden GEMS (Giving, Educating, Making Solutions).



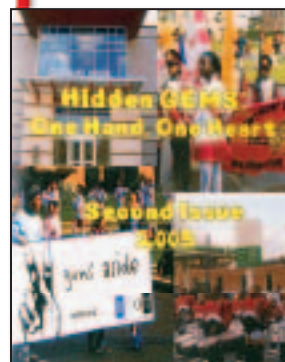
QUESTION: Why did you create Hidden GEMS?

ANSWER: The idea clicked in 2004 at a conference about poverty that I attended in Washington, D.C. I met a homeless man who said poetry was his passion but that no one was ever willing to publish his work. I talked to my friend Emily Grunewald about creating a magazine [Hidden GEMS] for people like him. Our goals are to provide an outlet for expression for homeless and inner-city writers; to break down stereotypes and promote awareness among diverse groups of people; and to raise money for individuals and organizations in need.

Q: Have you seen changes in people that work on the magazine?

A: It gives hope to many homeless individuals whose talents would otherwise be ignored. In one

case, a homeless man gained enough self-confidence from seeing that people cared about his writing that he worked hard to get a job. Now he's supporting himself in his own apartment.



Making a Difference

CITIZENSHIP

Explaining What does Erika mean by breaking down stereotypes?

An Economic History of Our Community

Step 3: Creating a Brochure Students will use their research to publish the city's economic history in a brochure.

Directions The final brochure should be as professional as students have the ability and technology to make it.

Expository Writing Show students several examples of brochures so that they can see how the brochures are folded and how information in them is divided among the pages. Students can use the brochures as models for their own design and layout. If the community is large or has a long economic history, each group can produce their own brochure. Have students write the text and lay out their brochures. **OL**

(Project continued on the Visual Summary page)

Income Assistance Other programs pay cash to certain people. Additional, or **Supplemental Security Income (SSI)**, for instance, gives payments to blind or disabled people and to persons age 65 and older. Temporary Assistance to Needy Families (TANF) is another direct cash program. TANF makes payments to families who need help because a parent is dead, disabled, or absent. The number of months that a recipient can receive benefits is limited. The intent of this limit is to make sure that people do not rely on the program but look for paying work.

Workfare **Workfare** is a term used to describe programs that require welfare recipients to exchange some of their labor in exchange for benefits. Most of the programs are run at the state level, and most are designed to teach people the skills they need to succeed in a job. Many states also require some form of workfare if families want to

receive TANF benefits. People who are part of workfare often assist law enforcement officials, sanitation and highway crews, or perform other community service work.

Tax Policies Another way the government helps poor people is with a **progressive income tax**. That means that the tax rate is lower at lower incomes and higher for higher incomes. This helps lower-income people by taking a smaller proportion of their income in taxes. The federal government provides additional help for low-income families and individuals. Many workers use the federal **Earned Income Tax Credit (EITC)**, which gives tax credits and even cash payments to qualified workers. This program benefits about 20 million working families every year.

Reading Check Summarizing How does the government use poverty guidelines?

C Critical Thinking

Predicting Consequences Ask: What might happen if the government did not offer assistance such as SSI, WIC, and TANF? (Answers may include there would probably be more hungry, homeless, and poor people. The economy would also be damaged by a loss of buying power within this group.) **OL**

Reading Check Answer: to determine at what income an individual or family can no longer afford basic necessities of food, clothing, and shelter and to determine the cost of these necessities

Assess



Study Central™ provides summaries, interactive games, and online graphic organizers to help students review content.

Close

Predicting Have students discuss: What can individuals do to avoid poverty? What situations beyond individuals' control might lead to poverty? **OL**

Section 3 Review

Chapter 23 649

Section Review 3

Vocabulary

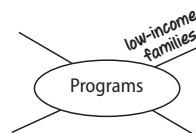
- Define** these terms from the section and make a set of flash cards to help you learn them: *food stamps, Women, Infants, and Children (WIC), workfare, progressive income tax, Earned Income Tax Credit (EITC).*

Main Ideas

- Describing** What does the Americans with Disabilities Act provide?
- Describing** What does Supplemental Security Income provide?

Critical Thinking

- BIG Ideas** Which of the anti-poverty programs do you think is the most effective? Explain your answer.
- Identifying** On a graphic organizer like the one below, identify the groups of people who are helped by government income assistance programs.



CITIZENSHIP Activity

- Summarizing** Scan a local newspaper for a short editorial or article about income. Take notes by writing down the main idea and supporting facts. Summarize the article using only your notes.
- Persuasive Writing** Write a paragraph either supporting or disagreeing with this statement: Welfare programs have a negative effect on poor people and should be eliminated. Give reasons for your opinion.



Study Central™ To review this section, go to glencoe.com.

Answers

- Flash cards should use vocabulary words according to their definitions in the section and in the Glossary.
- The Americans with Disabilities Act extends protection from discrimination to people with mental and physical disabilities.
- SSI provides payments to blind or disabled people and to people age 65 or older.
- Answers will vary, but students should refer to a program from this section.
- Programs: people with disabilities; low-income families; women, infants, and children; people age 65 or older; people in temporary need of financial assistance due to death or disability.
- Students' summaries should accurately summarize the main idea and supporting facts of the editorial or article they selected.
- Students' paragraphs should state a clear position for or against the statement and include reasons for the position.



C Critical Thinking

Drawing Conclusions Ask: **Why was the Supreme Court decision, *McCulloch v. Maryland*, unpopular?** (The decision limited states' rights to increase revenue by taxing the national banks.) **OL**

ANALYZING THE COURT DECISION

Answers:

1. Marshall argued that the Constitution gives Congress power to "make all laws . . . necessary and proper" for carrying out its duties and that the national bank fell under the implied powers that this wording permits.
2. Answers may include the idea that some people viewed the federal system as intruding on states' rights and responsibilities while other people viewed the federal system as providing strongly for the nation's well-being.

Additional Support

McCulloch v. Maryland

How did the national government expand its financial powers to meet the needs of a growing nation?

Background of the Case

Alexander Hamilton, the nation's first secretary of the Treasury, urged Congress to pass a law establishing a national bank. With the backing of President George Washington, Congress did so in 1791. The bank's funds were used to build roads, canals, and other projects that would help the nation grow. The first bank lasted until 1811; a second bank was chartered in 1816.

Many citizens withdrew deposits from state banks and reinvested them in the new national bank. Angry over the competition from the national bank, states worked to weaken it. Some states, including Maryland, taxed national bank branches operating inside their boundaries. James McCulloch of the Baltimore branch bank refused to pay the state's \$15,000 tax. Maryland sued him and won in a state court. McCulloch appealed to the Supreme Court.

The Decision

The Court had to decide if the national bank was constitutional, even though not mentioned in the Constitution. Chief Justice John Marshall wrote the unanimous decision on March 6, 1819:

"[T]here is no phrase . . . [that] excludes incidental or implied powers; and which requires that everything granted shall be expressly and minutely described. . . . [T]he states have no power, by taxation or otherwise . . . to impede the . . . operations of the constitutional laws enacted by Congress."

—Justice John Marshall



Federal Reserve Bank, Washington, D.C.

Marshall based the ruling on Article I, Section 8, which gives Congress powers to "make all laws . . . necessary and proper" for carrying out its duties.

Why It Matters

The Court's unpopular decision upheld the national bank and denied states the power to tax it. The modern Federal Reserve System eventually grew out of the national bank concept.

The case established the implied powers doctrine, which meant Congress had, under the "necessary and proper" clause, a wide range of powers to carry out the powers that the Constitution expressly gave it. *McCulloch v. Maryland* also established the principle of national supremacy, which forbids the states from intruding into the constitutional operations of the national government.

Analyzing the Court Decision

1. **Describing** How did Marshall justify the *McCulloch* decision?
2. **Analyzing** Do you think the decision affected the ways Americans viewed our federal system?

Background

McCulloch v. Maryland The court's ruling in this case, handed down in 1819, went beyond the enumerated (explicit) powers granted to Congress by the Constitution. It was controversial at the time and continues to raise issues today. Marshall reasoned that, "Although, among the enumerated powers of government, we do not find the word

'bank' or 'incorporation,' we find the great powers to lay and collect taxes; to borrow money; to regulate commerce; to declare and conduct a war; and to raise and support armies and navies." The federal government could carry out these responsibilities more easily through its own central bank.

This ruling strengthened the federal government's ability to set fiscal policy and to guide the nation's economy.

Government and the Economy

Government's Role

- Government provides public goods.
- Government regulates the economy to ensure competition.

Measuring the Economy

- Real GDP is GDP that has been adjusted for inflation.
- The real gross domestic product is the most accurate measure of an economy's performance.

Workers with more education earn more money



The health of the Stock Exchange is important to the economy

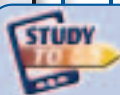
- Government must deal with unemployment, inflation, and periods of growth and decline called the business cycle.
- Stock markets are usually good indicators of the health of the economy.

The Problem of Poverty

- Education, family wealth, and discrimination are reasons for income differences.
- Government uses several different programs and policies to combat poverty.



Laborers benefit from working for government-funded programs



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Making Inferences Ask: In general, what are the government's goals for individuals and families in our nation?

(The government's goals include promoting economic development and offering programs and services that help individuals and families get educations and find jobs that pay an adequate wage.) **OL**

This **Learning Goal** (Making Inferences) was introduced in this unit.

Analyzing Visuals Ask: Look at the image of the students at the bottom of the page. What impression of college does this photograph create? (The impression is one of relaxed studying, friendly communication, and an attractive outdoor setting.) **BL**

Hands-On Chapter Project Step 4: Wrap-Up

An Economic History of Our Community

Step 4: Publishing the Brochure Students will present their brochures to the Chamber of Commerce or similar organization.

Directions If possible, contact a member of the Chamber of Commerce or other organization and arrange a time when students

can describe their project and present their brochure. Students may also submit a copy of the brochures with a formal letter by mail to the chamber. In either case, students should offer the brochure for printing and distribution.

Organizing Information Prepare students to present their brochure by having them draft what they will say about the project

they have just completed. (Students may use this draft to write the formal letter if they choose to mail their brochures.) Students should be able to explain how their researched brochure would be useful to people considering doing business in or with the city. **OL**

Answers and Analyses

Reviewing Vocabulary

1. C This question describes two companies becoming one. Point out that when two things become a single thing, they have merged. Then have students look for the related word “merger” among the options. Students might be confused by answer B, “monopoly,” because a monopoly also affects competition negatively. Today, the government prevents monopolies from forming by preventing mergers that could eliminate competition.

2. B Point out answers A and B. Guide students to replace TANF and GDP with the phrases for which these abbreviations stand. When students substitute “Gross Domestic Product” for GDP, they can easily make the connection between the correct answer and the word “production” in the question.

3. B Help students reason through the options by identifying the causal relationship: What affects the rate of inflation? Fiscal policy is policy the government carries out to direct the economy; the stock market tracks and trades in the economy but, again, does not determine the rate of inflation. The unemployment rate, likewise, is more an effect than a cause of inflation. Only answer B, “tracking prices,” helps economists determine the rate of inflation works.

4. B Students should see that answers A and D do not name taxes and can be safely ignored. Then, students can use their knowledge of prefixes and roots to see that “progressive” (moving forward or upward) is the opposite of “regressive” (moving backward or downward).

Reviewing Main Ideas

5. B Ask students to identify the two options that do not name or describe a good. They should exclude answers C and D. Now, help them see the connection between the word “private,” meaning “for one only,” and the nature of private goods, which, once consumed by one person, cannot be consumed by another.

6. D This is a difficult question if students are not clear about the role of the FTC. Have students quiz themselves: What or who produces goods? Commis-

TEST TAKING TIP

Stay focused on your own test. Do not be distracted if others are finishing early.

Reviewing Vocabulary

Directions: Choose the word(s) that best completes the sentence.

- Whenever two or more companies try to form a(n) _____ that threatens competition, the government may take action to stop it.
A antitrust **C** merger
B monopoly **D** externality
- What is the term for a nation’s economic production that has been adjusted for price changes?
A TANF **C** business cycle
B real GDP **D** inflation
- Changes in the _____ determine inflation.
A fiscal policy **C** stock market
B consumer price index **D** unemployment rate
- What is the term for an income tax whose rate increases as income level rises?
A public good
B progressive tax
C regressive tax
D real GDP

Reviewing Main Ideas

Directions: Choose the best answer for each question.

Section 1 (pp. 630–635)

- A(n) _____ is a good in which one person’s consumption takes away from another person’s consumption.
A public good
B private good
C monopoly
D externality

- One of the roles of the Federal Trade Commission is to _____.
A produce public goods
B reduce negative externalities
C supervise corporate mergers
D deal with the problems of false advertising

Section 2 (pp. 637–644)

- A period of business recovery when economic activity increases is called _____.
A a recession **C** the business cycle
B real GDP **D** an expansion
- Which explanation best explains the effects of inflation?
A Consumers have more products to choose from.
B Inflation erodes the purchasing power of the dollar.
C Inflation results in lower prices.
D Demand increases because prices are higher.

Section 3 (pp. 646–649)

- What law provides protection for people with physical and mental disabilities?
A Clayton Act
B Sherman Antitrust Act
C Americans with Disabilities Act
D Supplemental Security Income
- What program provides help for nutrition and health care to low-income families?
A Clayton Act
B Federal Trade Commission
C Americans with Disabilities Act
D Women, Infants, and Children (WIC) program

GO ON 

sions usually do not produce goods. What or who reduces negative externalities? All business decisions should try to reduce negative externalities. Now remind students that for trade to be beneficial to the nation as a whole, it must be handled fairly. False advertising is an unfair trade practice.

7. D Tell students that they can use what they learn from other questions. Students can rule out answer A. They also know that real GDP has to do with productivity. Ask

students to recall and describe the chart showing a business cycle, with its wave that has both peaks and troughs. Then point out to students the related meanings of the word “increases” in the question and the word “expansion” in answer D.

8. B Students can rule out answer A by describing the economic environment in which it could occur. Answer C states the opposite of the effect of inflation. And though answer D does mention higher

Critical Thinking

Directions: Choose the best answer for each question.

2006 Poverty Guidelines

Size of Family Unit	Poverty Guidelines
1	\$ 9,800
2	\$13,200
3	\$16,600
4	\$20,000
5	\$23,400
6	\$26,800
7	\$30,200
8	\$33,600

Source: Department of Health and Human Services.

Poverty guidelines help the government determine financial eligibility for certain federal programs.

11. What was the measure of poverty in 2006 for a family of four?
A \$13,200
B \$16,600
C \$20,000
D \$41,000
12. For family units with more than eight members, how much must be added for each additional member to meet the poverty guidelines?
A \$1,000
B \$2,200
C \$3,400
D \$9,800

Document-Based Questions

Directions: Analyze the following document and answer the short-answer questions that follow.

Two Results of Inflation

The most obvious effect of inflation is that the dollar buys less. Because the purchasing power of the dollar falls as prices rise, a dollar loses value over time.

A second effect is that inflation can cause people to change their spending habits, which disrupts the economy. For example, when prices went up in the early 1980s, interest rates—the price of borrowed money—also went up. This caused spending on durable goods, especially housing and automobiles, to fall dramatically.

13. Explain the effect that inflation has on the financial position of lenders and borrowers?
14. Evaluate how a sharp increase in inflation might affect the following people:
A a person who has just withdrawn a considerable amount from a savings account
B a doctor on staff at a large hospital
C a retired autoworker on a fixed pension

Extended-Response Question

15. If we were to enter a period of recession, what would likely happen to demand? What would likely happen to the unemployment rate? The poverty rate? Write an essay in which you answer these questions and provide the reasons for your answers.

STOP

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For additional test practice, use Self-Check Quizzes—Chapter 23 on glencoe.com.

Need Extra Help?

If you missed question...	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Go to page...	633	638	642	649	631	635	639	641	647	648	648	648	642	642	639

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STANDARDIZED TEST PRACTICE

family size, and the right column gives the income level at or below which poverty is defined. Demonstrate how to locate the row for a family of four in the left column and the income row in the right column.

12. **C** Subtracting the dollar amount for a family of one from the dollar amount for a family of two, for example, yields a difference of \$3,400.

Document-Based Questions

13. Possible Answer: In a period of inflation, lenders need to raise interest rates because the cost of borrowing money goes up. But higher interest rates lead to borrowers borrowing less money for durable goods.

14. Possible Answers: This person will find that the money he or she saved has less purchasing power than it did when it was initially saved; a doctor's work will be largely unaffected because the need for basic medical services is relatively inelastic; however, doctors who specialize in elective procedures such as cosmetic surgery will face decreased demand for such services; or people living on fixed incomes will experience a loss of purchasing power.

Extended Response

15. Possible Answer: Students' essays will vary but should explain: Demand would likely decrease as people had fewer dollars to spend on goods and services. Unemployment and the poverty rate would increase as businesses had to lay off workers to cut costs in response to falling demand.

prices, it also mentions higher demand. Only answer B both fits the definition of inflation and correctly predicts its effect on consumers.

9. **C** Remind students that answers A and B refer to acts that prevent monopolies. Answer D, "Supplemental Security Income," provides payments to people who are blind or disabled. However, the question asks about "protection" for disabled people, not payments to them; so the correct answer is C.

10. **D** Encourage students to use the information in question 6 to rule out the options here. Students might be drawn to answer C because they assume that all ADA people are also low-income. Then help students see the connection between the "families" in the question and answer D, the "Women, Infants, and Children program."

Critical Thinking

11. **C** Guide students to understand the layout of the chart. The left column gives

Civics ONLINE

Have students visit the Web site at glencoe.com to review Chapter 23 and take the **Self-Check Quiz**.

Need Extra Help?

Have students refer to the pages listed if they miss any of the questions.